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Legislative Assembly of Ontario

Second Session, 38th Parliament

Assemblée législative de l'Ontario

Deuxième session, 38^e législature

Official Report of Debates (Hansard)

Thursday 1 December 2005

Journal des débats (Hansard)

Jeudi 1^{er} décembre 2005

**Standing committee on
finance and economic affairs**

Committee business

**Comité permanent des finances
et des affaires économiques**

Travaux du comité

Chair: Pat Hoy
Clerk: Trevor Day

Président : Pat Hoy
Greffier : Trevor Day



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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Thursday 1 December 2005

Jeudi 1^{er} décembre 2005*The committee met at 1552 in room 151.*

COMMITTEE BUSINESS

The Chair (Mr. Pat Hoy): The standing committee on finance and economic affairs will now come to order. This being an organizational meeting, I do believe we have business in regard to the subcommittee on committee business.

Mr. John Milloy (Kitchener Centre): I move that the membership of the subcommittee on committee business be revised as follows: that Mr. Arthurs be appointed in the place of Mr. Colle.

The Chair: All in favour? Carried.

I believe we have business in regard to what would be a subcommittee report that should be presented for our consideration.

Mr. Wayne Arthurs (Pickering–Ajax–Uxbridge): Mr. Chair, I move that, from the standing committee on finance and economic affairs—if the committee could add the right numbers as we go:

(1) That the committee invite the Minister of Finance to appear before the committee at 9 a.m. on Thursday, December 15, 2005.

(2) That the Minister of Finance be offered up to 20 minutes for a presentation, followed by 10 minutes of questions and comments by each caucus.

(3) That the committee request authorization from the House leaders to meet January 25 to 27 and January 30 to February 2, 2006, for the purpose of pre-budget consultations.

(4) That the committee hold pre-budget consultations in Atikokan, Timmins and Cornwall during the week of January 23, 2006.

(5) That the committee hold pre-budget consultations in Niagara Falls, Sarnia, Kitchener–Waterloo and Toronto during the week of January 30, 2006.

(6) That subject to authorization from the House, the committee clerk, in consultation with the Chair, post information regarding pre-budget consultations on the Ontario Parliamentary Channel and the committee's Web site.

(7) That subject to authorization from the House, the committee clerk, in consultation with the Chair, place an advertisement, no later than January 3, 2006, in a major paper of each of the cities in which the committee intends

to travel, and that the advertisements be placed in both English and French papers in Timmins and Cornwall.

(8) That each party provide the committee clerk with the name of one expert witness and one alternate no later than January 16, 2006.

(9) That expert witnesses be offered 10 minutes for their presentations, and one hour as part of an expert witness panel, in which they will field questions from committee members and have an opportunity to interact with other panel members.

(10) That expert witnesses be scheduled to appear before the committee in Toronto on Thursday, February 2, 2006.

(11) That interested people who wish to be considered to make an oral presentation in Toronto contact the committee clerk by 5 p.m. on Friday, December 9, 2005.

(12) That the committee clerk distribute to each of the three parties a list of all the potential witnesses who have requested to appear before the committee in Toronto by 6 p.m. on Friday, December 9, 2005.

(13) That if necessary, the members of the subcommittee prioritize the list of requests to appear in Toronto and return it to the committee clerk by 12 noon on Tuesday, December 13, 2005.

(14) That interested people who wish to be considered to make an oral presentation in all other locations contact the committee clerk by 5 p.m. on Monday, January 9, 2006.

(15) That the committee clerk distribute to each of the three parties a list of all the potential witnesses who have requested to appear before the committee in all other locations by 6 p.m. on Monday, January 9, 2006.

(16) That if necessary, the members of the subcommittee prioritize the lists of requests to appear in all other locations and return them to the committee clerk by 12 noon on Wednesday, January 11, 2006.

(17) That if all requests to appear can be scheduled in any location, the committee clerk can proceed to schedule all witnesses and no prioritized list will be required for that location.

(18) That all witnesses be offered 10 minutes for their presentation, and that witnesses be scheduled in 20-minute intervals to allow for questions from committee members if necessary.

(19) That the deadline for written submissions be Thursday, February 2, 2006, at 5 p.m.

(20) That in order to ensure that all scheduled presenters are treated with respect and dealt with without delay during the committee's public hearings on pre-budget consultations, the committee adopt the following procedures:

—that notice be provided of any proposed motion that would refer to issues that would normally be included in the committee's report-writing stage;

—that notice of a proposed motion be tabled with the committee clerk in writing;

—that the committee postpone consideration of the proposed motion until the committee commences its report writing; and

—that adoption of the above notice procedure would not limit in any way the right of committee members to move any proposed motion during the committee's report-writing stage.

(21) That the committee clerk, in consultation with the Chair, be authorized prior to the adoption of the report of the subcommittee, to commence making any preliminary arrangements necessary to facilitate the committee's proceedings.

The Chair: Very good. Thank you. Comments?

Mr. Tim Hudak (Erie-Lincoln): I think the record should show that the subcommittee meeting was a very—how would I say it?—co-operative environment and very entertaining as well. I think it bodes well for our travel in the weeks ahead.

The Chair: Any other comments? All in favour? Opposed? Carried.

The committee is adjourned.

The committee adjourned at 1559.

CONTENTS

Thursday 1 December 2005

Committee business

F-1

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

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Mr. Pat Hoy (Chatham–Kent Essex L)

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F-2

F-2

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FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Thursday 15 December 2005

Jeudi 15 décembre 2005

The committee met at 0905 in room 151.

PRE-BUDGET CONSULTATIONS

MINISTRY OF FINANCE

The Chair (Mr. Pat Hoy): The standing committee on finance and economic affairs will please come to order. We're pleased that the Minister of Finance has taken up our invitation to appear before the committee this morning. Minister, you have up to 20 minutes, if you wish, for your presentation, followed by up to 10 minutes of questioning per caucus. If any of the other gentlemen were to speak, we would ask them to identify themselves for the purposes of Hansard.

Hon. Dwight Duncan (Minister of Finance, Chair of the Management Board of Cabinet): Good morning and thank you. I'm pleased to have the opportunity to address the committee as it begins the important job of conducting pre-budget consultations. You will know, Mr. Chair, as will other committee members, that I have also been talking recently to Ontarians across the province about what they'd like to see in our upcoming budget. I'll talk more about that process in a few minutes and about how I see your work and ours coming together.

First, though, I'd like to introduce the officials who have joined me here today. Immediately beside me is Colin Andersen, Deputy Minister of Finance. Also with me are Phil Howell, associate deputy minister of finance; Pat Deutscher, assistant deputy minister and Ontario's chief economist; and John Whitehead, assistant deputy minister of fiscal and financial policy and program management and estimates.

Our government is now just slightly past the midpoint of its first term in office. That makes this an opportune time to share with you where we are and what's ahead.

First of all, I would be remiss in my introductory remarks if I did not thank members of this committee and all my colleagues in the Legislature for the thoughtful debate they brought to our two budget bills. Bill 197 received third reading November 22 and received royal assent this past Monday. I'm happy to report that the Legislature approved our most recent budget measures bill, Bill 18, just yesterday. Both of these bills implement measures that support the government's commitment to building a strong economy in the province.

When Mr. Sorbara sat in this chair a year ago, he talked about a new generation of economic growth. Today I'm very proud to say that the groundwork our government laid in its first two years continues to yield results. We're on track to eliminate the deficit, while continuing to make essential investments in education, health and a strong economy.

Ontario's economic performance has been better than expected this year and this growth is expected to continue. Our four-year plan for prosperity is working, but make no mistake, there are risks on the horizon, including the appreciation of the Canadian dollar, energy prices and the strength of the US economy. Now, more than ever, we need to continue being prudent, focused and disciplined in our approach to managing the province's finances.

That said, let me get straight to the specifics.

Since we came to office, we have seen more than 215,000 net new jobs created in the province, and this job growth is expected to continue in the years to come. Our unemployment rate for this year is expected to be 6.7% and is expected to decline further. By contrast, this compares quite favourably with 2002-03 when the unemployment rate was 7.1% and 7% respectively.

We recognize, however, the challenges faced by Ontario's manufacturing sector, particularly in the forest industry. We also appreciate how difficult it has been for employees and their families who are facing job loss or uncertainty. We've also seen a recent restructuring announcement by General Motors that affected many people in Oshawa.

What I can tell all of these people is that we are working hard as a government to do what we can to ensure continued economic growth in this province. For example, we were able to partner with the federal government in order to secure \$5.7 billion in auto sector investment in Ontario, securing thousands of high-paying, high-skills jobs. Just last week, in fact, the Premier was in my hometown of Windsor. He was there with officials of DaimlerChrysler at a special ceremony marking the company's investment of \$768 million in Ontario, an investment decision that resulted directly from our government's strategy to support the automotive sector.

0910

Overall, employment is up; unemployment is down. In fact, a number of areas have done, and continue to do, quite well. For example, the construction sector is ex-

perienicing robust growth of 7.6% on an annual basis. That's almost 28,000 new jobs this year alone.

Overall, Ontario added 1,400 new jobs in November, up for the fourth consecutive month. So far this year, Ontario employment is up by 83,200 jobs or 1.3% compared to the same period in 2004.

Here are some additional highlights we've seen this year: The education sector leads all industries in job creation with 35,200 new jobs. Finance, insurance, real estate and leasing combined have added 22,500 new jobs. The retail and wholesale trade industry group has created 28,200 jobs so far in 2005. Information and culture has created 11,000 new jobs. Professional, scientific and technical services, and management and administrative support are up by 4,100 jobs.

Four out of every five new jobs that have been created are full-time, and although our manufacturing sector is facing substantial challenges, it is working hard to improve productivity. Manufacturers were able to increase their real shipments by a solid 2.3% in the third quarter of this year, a clear, positive sign for this sector. At the same time, Ontario's centres of excellence are helping small and medium-sized manufacturers adopt new technology and solve technology problems.

Our government is also putting in place the right building blocks to ensure continued prosperity.

We have invested heavily in our greatest asset, our people, with a \$6.2-billion commitment to post-secondary education and training. As I'm sure you know, we have established a new Ministry of Research and Innovation, headed by the Premier, whose mandate is to ensure that Ontario has a focused approach to competing and winning in the marketplace of ideas.

Overall, our 2005 budget plan was based on a cautious economic projection, with 2005 real GDP growth 0.3 percentage point below the private sector average at that time. The 2005 Economic Outlook and Fiscal Review released last month maintained this prudence margin on 2005 real GDP growth.

There continues to be a wide variety of opinions as to how fast the Ontario economy will grow, but all forecasters call for continued growth. Generally, economic forecasters expect that Ontario real GDP will grow on average by 2.5% in 2005 and 2.5% in 2006, and Canadian real GDP by 2.9% in 2005 and 3% in 2006.

If we are to meet even these cautious targets, we must also recognize that we will need to continue taking a balanced, disciplined approach to all our budgetary decisions.

Some of the caution we're seeing in private sector forecasts is related to unpredictable factors in our economy—in this case, the risks from high oil costs and a high Canadian dollar. We continue to watch the Canadian dollar carefully. This week the Canadian dollar traded at more than 87 cents US. That's the highest it's been in 14 years.

There is no doubt that a high dollar exacts a certain cost, especially from manufacturers and those who rely on cross-border trade. The bottom line, though, is this: Despite the high value of the Canadian dollar, Ontario

industry remains competitive in the global marketplace and our economy continues to grow.

Let me highlight for you some recent figures: Ontario consumers are benefiting from continued low interest rates, a good job market and rising incomes. Retail sales are 5% ahead of last year, and Ontario new vehicle sales are 2.8% ahead of last year's pace. Ontario's home resales rose 4% in October from a year ago, up for the third consecutive month. Growth in the US economy, Ontario's largest trading partner, has continued at a strong pace this year, with broad-based gains in consumer spending, the housing market and business investment. For 2005 as a whole, forecasters expect US real growth of 3.6% following a gain of 4.2% in 2004. They also believe the prospects of the US economy are bright for 2006 and expect growth of 3.4%.

I would like to turn the committee's attention now, if I may, to our fiscal plan.

I informed the Legislature in my Economic Outlook and Fiscal Review in November that we are now projecting a deficit of \$2.4 billion for the current year. That's a \$427-million improvement from our 2005 budget projection. If the reserve is not required, the deficit is projected to be \$1.4 billion. And, we remain on track to meet the commitment from our 2005 budget that the deficit will be eliminated no later than 2008-09, or a year earlier if the reserve is not required.

Our plan is disciplined and we are making progress, but there is more to be done. The government is in the third year of a multi-year planning strategy that began with the 2004-05 launch of Budgeting for Results. Central agency reporting requirements have changed from previous years so that ministries can focus on implementation, delivery and modernization of programs and services. We have moved forward on our commitment to modernize government, as more than half of the \$750-million program review savings target set for 2007-08 has been identified. I'll have more to say about this matter in the weeks and months to come. However, we continue to work toward ensuring that all of our programs are being delivered in a cost-effective and efficient manner.

I'd also like to mention the progress we've made with Ottawa on addressing the gap between what Ontarians pay to the federal government and what Ottawa returns in spending and services to the province. Recently, we signed a Canada-Ontario labour market development agreement and a Canada-Ontario labour market partnership agreement. These agreements will ensure that Ontario workers have access to effective employment programs and services, and that Ontario employers will have the skilled workers required to sustain and enhance economic growth and prosperity for Ontarians. However, I must emphasize one important point: These agreements, while welcome in Ontario, do not materially affect the province's bottom line. Whether our fiscal gap will be higher or lower in the future depends on how the federal government decides to allocate its spending going forward. That said, the labour market development agree-

ment will transfer \$2.5 billion of federal funding to the province, while the labour market productivity agreement will be worth approximately an additional \$1.4 billion to Ontario over the next six years.

Our government has negotiated a comprehensive immigration agreement with the federal government, which will help more newcomers by increasing funding for services to help them settle, integrate and access language training. The agreement is worth an additional \$920 million over the next five years to Ontario.

We will now focus on achieving fairness in the Canada health transfer and the Canada social transfer, recognition of Ontario's contribution to achieving Canada's Kyoto targets, and infrastructure partnership opportunities.

The next few weeks promise to be a busy time for all of us. Even after the House adjourns for the holidays, our work is not done. These hearings that you're kicking off today will provide valuable advice as we move forward. It will be added to what we've heard during our own sessions. I must admit to being quite impressed with the very thoughtful and realistic tone of our pre-budget sessions. There were many highly articulate and well-reasoned views presented. They ran the gamut from health care and education to infrastructure and social services. But, if I may interpret them broadly, they all wanted essentially the same thing: that the government spend their money wisely, with a plan to meet and invest in priorities. In particular, I would commend the participants for their willingness to accept the notion that not all needs can be met, at least not all at once. What flows from that, I believe, is some degree of support for our view that, as you'll see in the questions I'll outline for you in a moment, there are always trade-offs in this process.

I appreciate as well that although municipalities have benefited from the gas tax and other recent measures, they continue to feel the effects of downloading from the previous government.

Our consistent view, from a broad range of groups, including business, municipalities and others, is the need for economic infrastructure. We began to move the bar forward last year with our five-year, \$30-billion plan. We'll consider all the advice we've heard as we begin developing the 2006 budget in earnest.

I'd like to put on the record for you, if I may, the questions that have framed our pre-budget consultations, since I believe they could be helpful in your work as well. First, what else can the Ontario government do to create a new generation of economic growth? Second, what more can the Ontario government do to anticipate or address external challenges and risks? Third, if spending should increase in some areas, what areas should be cut in order to offset the additional spending? Fourth, what other measures could be implemented to eliminate duplication and waste, streamline regulation and enforcement and improve services to the public? And last, but by no means least, how can fiscal transparency and accountability be further improved? I'm proud of our commit-

ment to the principles reflected in these questions. We have enshrined them in legislation and made them our watchword, but once again, we believe there is always room to grow, to find better and more effective ways of delivering our business and services.

0920

Premier McGuinty has often said that to govern is to choose. We're moving forward with our plan, which is creating prosperity throughout the province and ensuring Ontario's economic advantage in the future. We've laid out a plan to restore integrity to Ontario's finances; we've invested in health; we've invested in our human capital. We must ensure that our infrastructure plan meets the province's needs, but we need your help. As your committee conducts its hearings over the coming weeks, I'm sure you'll elicit many bright, creative ideas, as we have heard. You will certainly have some of your own, as is your prerogative as legislators. I encourage you to bring forward these ideas so that we can truly build a budget that continues to reflect Ontarians' priorities and to meet their needs.

I would like to take a moment just before I close to wish you, your families and your communities a very happy, healthy, safe and enjoyable holiday. While it is time to reflect on the year past, it is also an opportunity to look forward with optimism and hope to the year ahead. I look forward to hearing the outcome of your deliberations. Thank you for inviting me here today.

The Chair: Do you have any further comments? There is some time remaining.

Hon. Mr. Duncan: No.

The Chair: Very good. Each caucus will have up to 10 minutes for questions or comments. We'll begin with the official opposition, Mr. Hudak.

Mr. Tim Hudak (Erie-Lincoln): Thank you very much, Minister, Deputy and Ministry of Finance staff, for appearing before the committee today.

I'm just going to have some opening comments about the point of view of the official opposition. I think my colleague Mr. Barrett has a couple of questions, as hopefully I'll have time to do as well.

What we worry about greatly in the official opposition is Ontario's fading competitiveness. Increasingly, when you look at how Ontario compares to our peer provinces and peer states, we are falling further and further behind. I think each of us grew up in an Ontario that was the leader in economic growth, innovation and job creation in Canada, the envy of the other nine provinces, the place where folks would move from other provinces and come here to live and work and raise a family. Sadly, in Dalton McGuinty's Ontario, we're seeing those trends reverse, with people moving out of our province to other provinces, particularly to the west. We're finding in so many economic indicators that Ontario is falling to the middle of the pack in Canada instead of being the leading light. I feel that the economic policies brought forward by the minister today, and those by the Premier, are going to harden those trends and see Ontario continue to slip in its competitiveness and its attractiveness for investment.

That hurts Ontario families today, who have less money in their own pockets to spend in the economy, to invest in the future. Most importantly, it hurts Ontario families down the road, because fewer jobs will be created as a result, and less investment and expansions in new businesses or in machinery to ensure that Ontario stays productive and strong. And I worry about the impact on future generations, who will make less money and have less money to spend than the current generation may if these trends continue.

If you look at the recent report from the Task Force on Competitiveness, Productivity and Economic Progress, for example, Roger Martin's report compares us to a number of peer jurisdictions—states that have similar populations and economic size, as well as Quebec—and we have now fallen to 15th out of the 16 jurisdictions that are our comparators. We're falling behind the 14 peer states. We're less successful in Ontario, in Dalton McGuinty's regime, in adding value to our human capital, our physical capital and our natural resources.

Last year, in the last report, that gap was \$6,000. That means that our gross domestic product per capita was 12.6% lower than the median GDP of the peer jurisdictions. They said we ranked 15th out of the 16 states or provinces. It's all well and good for the minister to talk about how Ontario is doing and saying that the numbers are positive in a number of economic indicators; the challenge is that when you compare how Ontario is doing with these other states and provinces, we're falling toward the middle of the pack, or against the states, 15th out of 16.

My other major comment is that I find it incredible that Ontario continues to run a deficit. I've challenged the minister in the House, that in fact he's projecting the deficit to go up this year compared to last year's final numbers for the deficit. Spending has actually increased for this fiscal year from the 2002-03 year by almost \$15 billion; \$14.7 billion in spending, and we still run a deficit in the province of Ontario. Quite frankly, this government has a major problem in controlling spending.

The Canadian Taxpayers Federation, for example, put out a report that showed Ontario's spending per capita under Dalton McGuinty has increased at a greater rate than even under David Peterson or Bob Rae, the so-called poster boys for big spending. Dalton McGuinty's giant spending increases would make them blush.

Let me give an example to the committee. If the government had stuck to its original plan in the 2004 budget, projected spending for this fiscal year would be \$80.5 billion. That was last year's budget. Projected spending for this year would be \$80.5 billion. The economic statement this year projected revenue for this fiscal year to be \$82.1 billion. So they said spending would be \$80.5 billion; they said revenue would be \$82.1 billion. If you had stuck to the plan, you would have had a surplus of \$1.6 billion. But instead, the McGuinty government continues to increase spending some \$3 billion more than you projected just last year.

I think we need to take a bit of caution with the numbers that are brought forward. When it came to the 2004-05 fiscal year, there were four dramatically different projections of what the deficit was going to be. In May 2004, the budget papers projected \$2.2 billion; on March 19, 2005, it became \$6 billion; on May 11, 2005, it was \$3 billion; and then it was finally reported at \$1.6 billion. So we had in the space of just a year four radically different projections. Unfortunately, by the campaign platform we find that what's written on paper often turns out not to be true when you look at the facts.

I also want to make a point about the taxation on business. The higher the marginal tax rate on business and on investment in business, the less likely they are to invest or to expand in Ontario. The marginal tax rate now is among the highest, if not the highest. Roger Martin's report, for example, says that at these high marginal rates, there is no incentive to invest for the future, but rather the need to consume every last tax dollar.

I also look forward to the presentations on energy. I find the current energy policy to be, frankly, whacky—the notion of closing down 20% to 25% of our supply. The minister, in his previous role, basically reconstructed the old Ontario Hydro all over again, with long-term guaranteed contracts with significant risk to ratepayers on the energy side. We have seen a number of factories closing down and others saying they're not going to invest in the province, because of the lack of faith in the energy policy and the high rates of energy prices today. I hope that we'll hear some good advice and that the minister will take that advice, to get more private supply into the energy system and to get us out of this reconstruction of the bad old Ontario Hydro all over again.

As I've said, the underlying economic indicators are worrisome when you compare us to the other provinces. A recent report by the Royal Bank, for example, shows us that in employment growth, home sales, manufacturing, shipment, retail sales, wholesale trade and housing starts, we have fallen behind the Canadian average. Ontario is no longer a leader, but average, at best, or falling behind in many of those areas. So we're looking forward to advice from the opposition caucus on how to get Ontario back to its traditional position of leading in growth.

The last concern I want to put on the table, and we'll hopefully hear some good advice on that, is the fact that hard-working families now have some \$2,000 less in their pockets in Dalton McGuinty's Ontario than they did before. Higher taxes, higher user fees, higher energy costs, higher gas prices etc. are taking a substantial bite out of the pockets of working families. I think that's why we're seeing some out-migration and the disappointing figures in the consumer sector.

0930

I know my colleague wants to ask questions. I'll leave it on the table for now, for the overarching concern about the underlying numbers that aren't really touched on in the minister's report.

The Chair: Mr. Barrett, you have about two minutes.

Mr. Toby Barrett (Haldimand-Norfolk-Brant): Thank you, Chair, and I thank the minister for presenting before the committee.

In your presentation you indicated a partnership with the federal government securing \$5.7 billion for the auto sector. It does raise a question for this committee to keep in the back of their minds as we travel the province, and the question is—and I might ask legislative research to perhaps bird-dog this a bit: What would be the comparable federal-provincial investment in the agriculture and agribusiness sector? I don't need an answer right now. We know that very recently the federal government announced \$755 million for cash crop, and Ontario's agriculture minister was disappointed in that offering.

As you indicated, the manufacturing sector is facing substantial challenges—and we're certainly aware of this and are on record as the opposition—and you indicate that manufacturing is working hard to improve productivity. I put forward the position that agriculture and agribusiness have made some tremendous gains in productivity, but they are managing in an environment of extremes. You go from your best year to your worst year. This was reflected yesterday—I attended one rally on the 401. There were 200 tractors and 100 farm trucks out there. I think that tells us something.

There is a dark side to agriculture and agribusiness. Eighty per cent of their expenditures, one way or another, are linked to energy, whether it's the price of natural gas, electricity or oil. The US farm bill continues to loom over this province, and that will be renegotiated in 2007. The high cost of steel does not bode well for agribusiness, and of course the projected increase—much of this from American data—in interest rates and of course the cost of insurance. Their customers, many of them—it's primary industry, much of it, but much of it is obviously very dependent on retail. What is looming in agribusiness and, I would suggest, the Ontario economy overall is the high rate of credit card debt and the fact, as I understand it, that delinquency rates are increasing.

I wanted to present that from the perspective of agribusiness.

The Chair: We'll move to the NDP and Mr. Prue. You have up to 10 minutes.

Mr. Michael Prue (Beaches-East York): I'm going to take a different tack: I'm going to ask you questions.

When I was a first-time candidate, way back 26 years ago this month in a federal election, the big issue was the gas tax, but the second-biggest issue was that the unemployment rate had nudged above 6% and was considered to be disastrous. Here we are, 26 years later, and it's sort of the norm. You're forecasting, according to your numbers, 6.7% this year, 6.5% next year and 6.3% in the last year of your mandate. I'm hoping you're right. But it's so much higher than what the Americans accept or what you're likely to find in most other places in the world. Why are we accepting this permanent underclass of people who don't have a job?

Hon. Mr. Duncan: First of all, there are a number of components to unemployment. There's structural

unemployment and seasonal unemployment. There are a number of components, so there's not a permanent underclass. For instance, in the calculation of unemployment, someone who's facing a two-week retooling shutdown at Ford Motor Co. would be counted as unemployed even though they will collect 90% of their wages and benefits. That would be the first observation.

Second of all, your recollections of the late 1970s and early 1980s are factually wrong. After the oil spike in the 1970s, we had something called "stagflation," and unemployment routinely went up above 8%. That's not to downplay the challenge of unemployment. We're pleased that Ontario's unemployment rate has continued to decrease under this government and employment has gone up.

The other fact that's positive, in my view, is that there has been growth in real disposable income, which means that not only are jobs being created but income—that is, the amount of pay for these jobs; these are significant jobs.

So unemployment has continued to be a major challenge for governments of all political stripes in every jurisdiction. American unemployment rates routinely ran at around 4% to 5% in the 1990s. Today, they're running a bit above 5% on average. The gap between Canada and the US has in fact closed a little bit. The state of Michigan: I believe last month they were up above 7%—another jurisdiction that's highly dependent on the automotive sector.

So I acknowledge that one does not like to see any unemployment. One wishes we had full employment. Economists differ on what the definition of full employment is, by the way.

Mr. Prue: It used to be 3%.

Hon. Mr. Duncan: Well, no, actually it used to be about 4%. That's based on a number of factors that go into the calculation not only of unemployment but employment and indeed of the labour force. The labour force has grown as well. We've made progress in growth in the labour force.

When you look at all of these things—and it's interesting. The definition of structural unemployment: How do supplementary unemployment benefits alter that? Buzz Hargrove and the CAW have done enormous work in advancing supplementary unemployment benefits across the province.

I'm also pleased, by the way, that this year Ontario became the largest automotive manufacturer in North America. We surpassed Michigan for the first time.

I remember that election: I believe it was an 18-cent gas tax. I believe unemployment in the late 1970s was running—Pat, do you have the numbers there, by any chance?

Mr. Pat Deutscher: My numbers only go back to 1981.

Hon. Mr. Duncan: What were they showing then?

Mr. Deutscher: In 1981, the unemployment rate was 6% and then it climbed to 10.4% in 1983.

Hon. Mr. Duncan: It was 10.4% in 1983, so your number was wrong.

Mr. Prue: No, my number wasn't wrong.

Hon. Mr. Duncan: It was 6.3% in 1981.

Mr. Prue: You don't have your number. My number's not wrong. But go ahead. Anyway, I have more questions. You're taking way too long. I've only got 10 minutes.

Hon. Mr. Duncan: I'm trying to respond to the question.

Mr. Prue: I've only got 10 minutes.

Hon. Mr. Duncan: Let me just finish. To conclude, the number you put on the record was wrong. Unemployment in 1981 was about 6.3%. It's lower than that right now. It went up to the range of 10% by 1983.

Number two: Structural unemployment, the real rate of unemployment, natural unemployment are all factors that go into this. We want to continue to create jobs. We want to reduce unemployment and increase employment, which we've done in the first two years of our government.

Mr. Prue: How long did my first question take to get answered?

The Chair: About five minutes.

Mr. Prue: About five minutes, so that means I get one more if you continue this. I have a number of them. Please, if you can't answer them in a minute, just say you can't and I'll go to the next one.

The next one is, you have not included in your list here manufacturing jobs. You've talked about the education sector, finance, retail. Are manufacturing jobs in fact down 52,000?

Hon. Mr. Duncan: Overall, the net new jobs in Ontario increased by 212,700 as of last month. There have been job losses in the manufacturing sector; there's no doubt about that. We are particularly pleased with our investment strategy in the automotive sector, which we believe helped protect almost 18,000 jobs and has led to the creation of another 1,400 at Toyota in the Woodstock area, when that plant comes on. But with respect to the actual numbers—let me see.

This year, we had actual increases in manufacturing jobs in January of 7,000. In February there was a decline of 16,200; an increase in April of 8,300; an increase in June of 3,500; and decreases in November and October. Overall, these figures—you can add them up—plus 7,000, down 16,000, down 6,000, plus 8,000, down 16,000, plus 3,000, down 12,000, down 1,000, down 400, plus 7,000 and then down 5,000. So that will give you the number. These are according to Stats Canada, employment by major industry, goods-producing for the province of Ontario, table 11A.

Mr. Prue: The forest industry, as well, has been hugely hit. Abitibi had some closures and announced another closure yesterday in Kenora. The mills keep going down. Do you anticipate that the forest industry will continue to decline in Ontario?

0940

Hon. Mr. Duncan: The forest industry has been declining throughout North America. There have been more job losses in places like Newfoundland, Quebec and British Columbia than there have been in Ontario. Indeed, there have been job losses in the forest industry in Texas. It is an industry that's facing significant challenges, there's no question. We have provided over \$600 million to help that sector. We are attempting to work with them on a number of fronts. The biggest challenge that is cited by them is the rise in value of the Canadian dollar. Yesterday the dollar punched through 87 cents. We want to ensure that we help—

Mr. Prue: It closed unchanged yesterday.

Hon. Mr. Duncan: Yes, but it went up over 87 cents yesterday for the first time in 14 years.

Mr. Prue: Then it went right back down. It closed unchanged.

Hon. Mr. Duncan: It's still up, way up. Are you suggesting the value of the dollar is not up in the last couple of years?

Mr. Prue: Of course it is.

Hon. Mr. Duncan: Well, good.

Mr. Prue: I mean, you talk about the spike, but not where it closed. It closed unchanged. Don't try to say it's closing at 87. It didn't.

Hon. Mr. Duncan: It's up week over week, month over month, year over year, for the last three years.

We have invested over \$600 million in that sector. They have problems, no doubt, in a whole range of areas. We're working with the industry to help ensure they remain competitive and viable and operational in Ontario.

Mr. Prue: Municipally—I'd like to just change a little bit. I want to talk about provincially mandated programs where you take money directly from homeowners in their property tax. How much are you taking per year for provincially mandated programs, including education, which I think is around \$6 billion? But all the others, how much do you take from the property taxpayers for their property tax?

Hon. Mr. Duncan: Are you referring to the business education tax?

Mr. Prue: All of them—programs such as social assistance, housing, public health, ambulance, child care.

Hon. Mr. Duncan: Are you talking about how much tax we raise?

Mr. Prue: Yes. How much tax does the province take from that source, from property taxes?

Hon. Mr. Duncan: From property taxes?

Mr. Prue: Yes. We know it's more than \$6 billion for education. How much is it for the others?

Mr. Deutscher: The property tax actually doesn't flow through the consolidated revenue fund. I realize that's an accounting answer, but it's not one that appears there for you in the revenue statements. It appears in the expenditure side of our accounts as spending.

Mr. Prue: If I were to tell you that my research indicates it's another \$3.6 billion for social assistance,

housing, public health, ambulance and child care, would you think that's about right?

Hon. Mr. Duncan: Probably not. Your numbers have been wrong throughout this presentation.

Mr. Prue: What a disgraceful comment.

The Chair: We'll move to the government.

Mr. Wayne Arthurs (Pickering-Ajax-Uxbridge): First, I'd like to take a moment or so to advise and inform the minister that the committee will be travelling throughout Ontario. We've deliberately and collectively made the decision to travel to some sites in Ontario that are likely to be or are being challenged with jobs, everywhere from the prospects in Atikokan to Cornwall to Sarnia. We've done that quite deliberately so that we will be advised and informed as a committee of the challenges that are being faced in Ontario so that we can provide you with what I think would be good advice in the context of budget preparation and financial planning for the province. I thought it was important to advise you. We're not going, for the most part, to places that are doing extremely well. We will be in Toronto and Kitchener-Waterloo. We're going to other locations, different locations.

I just want to make a few comments. I know that some members opposite, particularly the official opposition, may not like these very much in part, but those who forget their past are deemed to repeat it. Thus, when we comment on the \$5.5-billion-plus deficit we were left with, we often hear about the fact that that was then, this is now. We're not about to repeat that past at all, so it's important for us to continue to remember it.

In the dying days of the Common Sense Revolution, the former government blew on the flames, on the embers that were left in an effort to revitalize that flame. They'll tell us they increased spending on education, health and transportation. Unfortunately, they cut taxes and reduced their revenue stream. We know what happens when spending goes up and revenues go down. We were left with that particular legacy.

When we came into office, the deficit was some \$5.5 billion. You've had considerable success, as did your predecessor, in carving into that deficit and digging us out of the hole we inherited. Can you advise the committee further, though, on the prospects for eliminating the deficit and your plans to foster additional economic growth for our continued prosperity in Ontario?

Hon. Mr. Duncan: We did inherit a deficit of \$5.5 billion, in spite of the fact that the books for the previous year had reported a balanced budget, which have now been subsequently looked at by the Provincial Auditor and also fully audited. We laid out a plan to balance the budget no later than 2008-09. We set up what we believe to be prudent measures within the budgets, including contingency funds and reserves. If we don't have to use the reserve funds, the budget will be balanced in 2007-08.

One of the most significant achievements of Mr. Sorbara's first budget was the Fiscal Transparency Act, which we passed, which means the Provincial Auditor

will look at our books before the next election and cast his view on the accuracy of them and the fulsomeness of the numbers that are reported, so the people of Ontario will have a good, hard look by the auditor. Before the next election we'll be able to determine the fulsomeness of the figures contained in that document.

Mr. Arthurs: As everyone here is well aware, General Motors recently announced a new national restructuring, and you commented briefly on that in your comments. That's going to affect workers across North America and here in Ontario as well. The government has recognized the importance of the auto sector. We've committed some \$500 million in support of that particular sector. Can you take a moment or so to elaborate on what you expect the investment will return to Ontarians in the years ahead?

Hon. Mr. Duncan: The government, through its automotive investment fund, invested about \$500 million. One of the members opposite asked what we did for agriculture last year. It was a little over \$600 million, and in terms of the forest industry it was a little over \$600 million.

Until the Daimler/Chrysler announcement last week, the number we were using about the amount of investment leveraged was \$4.5 billion. The Canadian Vehicle Manufacturers' Association in fact, at a pre-budget consultation, used the figure of \$6 billion that they're investing. Our number is about \$5.7 billion. That will do a couple of things. First of all, it will help preserve 18,000 jobs and will also help create new jobs. For instance, we're talking about the \$400 million in operations at Oshawa and St. Catharines on top of the \$2.5-billion Beacon project in Oshawa.

The industry's having some difficult times. The Ford Motor Co., for instance, indicated they're going to have some very difficult announcements in the new year, but we believe that through our foresight, by getting this plan in place before the challenges started to happen, we will be able to protect Ontario's position as the leading automotive jurisdiction in North America.

Mr. Arthurs: You mentioned Beacon as one of the initiatives that will be part of the overall GM strategy and its relationship to post-secondary education, which leads me to my third question. A key element of the 2005-06 budget was the Reaching Higher plan. The plan calls for an investment of some \$6.2 billion, I believe, in post-secondary education over a five-year period. It's my belief that the future prosperity of Ontario requires a sound foundation of highly trained and highly skilled workers. Can you inform the committee of the progress being made to date on the Reaching Higher plan and provide assurance that your budgetary commitment to the plan is there for 2006-07 and the subsequent years?

Hon. Mr. Duncan: The figure you quote is accurate. The commitment last year was \$6.2 billion, including an additional \$683 million this year, rising to \$1.6 billion in 2009-10. That will represent a 39% increase compared to the 2004-05 budget base. It's a historic multi-year investment in post-secondary education, and it is indeed the largest in 40 years. The province expects that the

investment will yield improvements in a number of areas. It will deliver access through more student financial assistance, increased enrolment in colleges and university undergraduate programs, increased graduate student enrolment, increased enrolment in medical schools, increased apprenticeship positions, more new Canadians who are better able to contribute their skills to Ontario's economy. In terms of quality: more faculty, more time for faculty to spend with students, more innovative research and better resources and improved pathways for students. Finally, on the accountability front: a new Higher Education Quality Council of Ontario is charged with identifying performance targets for post-secondary education, an agreement between the government and post-secondary institutions that ensures that these results are achieved. Funding will be contingent on these results. We believe this is the right course to take. We believe in investment in post-secondary education. It's fundamental to ensuring Ontario's competitive future.

0950

Mr. Arthurs: Mr. Chairman, if there's any time left for our caucus, I know Mr. Wilkinson has a question as well.

The Chair: We have a little less than two minutes.

Mr. John Wilkinson (Perth-Middlesex): Thank you, Chair, and good morning, Minister, it's good to see you. I just wondered if you could help me out with something here. I know that your critic, the member here from the opposition, the member from Erie-Lincoln—we just seem to be having some problems with his math. I was wondering if you could just help me out with this. What I'm reading here—I'm used to dealing with financial statements—we have the deficit, which has been going down over the last couple of years from the one that we inherited. In-year, we seem to be doing better than the projection in Mr. Sorbara's budget. But I'm just seeing that there must be some kind of a math error here that we're having trouble with with the opposition, because I see that if we count in the reserve, which is prudent, it's going down, and I see that if we don't need the reserve, it's going down. But I distinctly heard it all, and I really don't want to listen to this for weeks on end across Ontario that somehow this number's going up. I was wondering if you could just run that math by me again. That would help me out a great deal, to get that on the record.

Hon. Mr. Duncan: The deficit for this year is projected to be lower than last year. We have built in prudence assumptions, because one never knows what's going to happen. If the reserve that we've built into the budget is not needed—it's a billion dollars—the budgetary deficit for this year will be \$1.4 billion. In fact, the variance around numbers, from the beginning of the year to this year, is actually not nearly as much as it had been in, say, the last year of the Tory government's budget, when the numbers were just so out of whack that nothing added up.

The bottom line is that we've seen a continuing decline in the deficit, as laid out in our 2004 budget plan. There are certainly year-end adjustments every year that

normally will run—it's a lot of money. It may be a billion dollars, but that's on an \$80-billion or \$82-billion budget, so they're well within acceptable variances.

The Chair: Thank you for your presentation this morning. I would ask if you could take your laptop down in the remaining time. I'd appreciate that very much.

Mr. Barrett: On a point of order, Mr. Chair: I just wanted to reiterate my request to research to get a comparable with respect to the testimony on page 3, the \$5.7 billion invested in the auto sector with the federal government. We don't have the time frame here, but my discussions with legislative research—I would request the comparable for the agriculture, agribusiness sector. Secondly, I would request the comparable federal-Ontario government investment in the pulp and paper and forest sector.

The Chair: Thank you. It would be good for all committee members who make a request of research to jot your request down in writing, and therefore the researcher will fully understand what it is you want.

Mr. Prue: I also want to make a request, and I will put it in writing. But I want to do it on the record.

The Chair: Yes, that's fine; both ways.

Mr. Prue: OK. I want to make a request that legislative research provide the actual dollars that are obtained by the province of Ontario through property taxes for education, social assistance, housing, public health, ambulance and child care, and secondarily, how much of this has been downloaded to municipalities.

The Chair: If you could just jot that down, it would help research.

Mr. Prue: I will.

The Chair: Mr. Hudak, point of order.

Mr. Hudak: Yes, thanks, Chair. The minister, I guess, had to leave. I would just like to put on the record—and I don't know if colleagues will enter into a debate or not—I found the minister's conduct with respect to my colleague from the third party regrettable.

The Chair: That's not a point of order, though.

Mr. Hudak: Well, I didn't raise it as a point of order, Chair; I'm raising it as a point of debate. The minister is here to make his presentation but also to respond to members' questions. I think my colleague did have some legitimate questions. The minister used tactics to do two things: first, to drag out debate to limit the number of questions, and secondly, to insult my colleague, who I think all of us on the committee have a great deal of respect for. I'd like to convey through Hansard that if the minister does return, as his predecessor, Minister Sorbara, always conducted himself as a gentleman, to kindly pay respect to committee members in responding to our questions.

The Chair: Mr. Prue, on a point of order.

Mr. Prue: If I can just add to that: If I'm on the sub-committee in the future and the minister requests to attend, I will vote "no."

The Chair: That is not a point of order, but it is a comment.

Mr. Arthurs, on a point of order.

Mr. Arthurs: I understood, from the comments that were made with the couple of minutes that were left—we were making a comment or two—let me just suggest or say that from my view, the minister's responses were fulsome. I'm not going to engage in the discussion around how one received the information, but I thought he provided quite thorough and fulsome answers to questions that were raised with him.

The Chair: Thank you for your comment.

INSURANCE BUREAU OF CANADA

The Chair: Now I would ask, if the Insurance Bureau of Canada is present, if they would come forward.

While they're preparing, I'll just remind the committee that the second round of questioning will begin with the NDP, the next presenter will go to the government, and so on throughout the day, in rotation in that fashion.

Mr. Arthurs: On a point of order: What's the timing again, just as a refresher, on the questions and comments?

The Chair: I will mention that right now to the presenter.

Good morning. You have up to 10 minutes for your presentation. There may be up to approximately 3 minutes of questioning from each caucus following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Mark Yakabuski: My name is Mark Yakabuski. I'm the vice-president, federal affairs and Ontario, of the Insurance Bureau of Canada. It is my pleasure again to appear before this committee and I would really like to make three points as part of my discussion this morning. I appreciate being able to follow the minister. I'd like to make a couple of comments about the insurance system in Ontario. I'd like to talk about the need for Ontario to prepare itself financially for the possibility of increased severe weather, and I'd like to talk about the importance of integrating injury prevention into our health care system objectives.

First of all, the insurance system in Ontario is sound, and it's substantially sounder than it was a number of months ago. If we look at the auto insurance sector, I'm very pleased today to share with you that the average auto insurance premium in Ontario today is almost 15% lower than it was two years ago. In actual dollars of disposable income, that represents an injection of \$1.2 billion in additional disposable income for the driver of Ontario—a not inconsiderable amount, I think you will agree.

I do, however, want to talk about the impact of legal costs on the insurance system. I note questions on those in the Legislature yesterday, and this is not the first time. The cost of legal expenses in the insurance system is rising. It's the one component of the insurance system that continues to rise in terms of costs, and it does have an impact on things. For example, in the auto insurance system today, we are now spending more on legal costs

than we are on health rehabilitation costs after accidents. That's got to be a worrisome sign.

In other parts of the insurance system, I think every one of you can tell me of some volunteer or community group that has had difficulty getting liability insurance. That is largely a result of a great explosion in the number of legal cases that have arisen. We would like this Legislature to give consideration to measure that have been taken in other jurisdictions to protect community and not-for-profit groups against vexatious lawsuits. It is an avenue for being able to control the costs of liability insurance for these groups. It's something that Australia, for example, has taken very, very seriously. A number of states in the United States have done so as well, and it is certainly something that I believe that you may want to consider as well.

1000

My second point is the need to prepare financially for a major disaster. I don't think there are many people in the province of Ontario today who know that on August 19—that's only a few months ago—a tornado almost took place in the city of Toronto. Early in the morning of August 19, we had all of the forces that would combine to create a tornado. Fortunately, that wind system went out on to Lake Ontario and ended up creating a tornado in the Kitchener-Waterloo area. The reality is that had that tornado hit the city of Toronto, the cost to the government of Ontario would have been horrendous. We got lucky that time; we are not likely to get lucky every time.

What we are asking for at the Insurance Bureau of Canada is that all governments in Canada work together to develop a hazard mitigation fund, so that we put a little bit of money aside each year for the likelihood of major natural disaster that will allow us financially to deal with these issues in a much more sound and secure way. We simply have to do that.

I want to talk about the importance of injury prevention. We certainly applaud the creation of the Ministry of Health Promotion. We have actually launched our own campaign with respect to injury prevention within the insurance industry, but health promotion is not going to be as successful as it ought to be if you do not marry with it the goal of injury prevention. I'll give you a perfect example. Part of the efforts of the Ministry of Health Promotion is to get people to engage in more recreational activities, and that's absolutely laudable. But it's not going to make sense if we send people to the ski hill and forget to tell them to put their helmets on, because actually a lot of recreational activities can incur additional risk. We need to marry the idea of injury prevention with health promotion. We would ask that the ministry be given a clear mandate for injury prevention.

Secondly, quite frankly, in recognition of the fact that injuries actually cost the Ontario economy billions of dollars a year, we would ask that Ontario take a leadership role within Canada in helping to establish an injury prevention program something like the Participation of the 1970s. It's conservatively estimated that injuries cost the Canadian economy about \$15 billion, at a minimum,

a year. It is regrettable to say that 70% of the youths who die in this province die as a result of avoidable injuries. Therefore, again I say to you and to others, these are investments—very modest investments—that we cannot afford not to make as a province and as a society. Thank you very much.

The Chair: Thank you. We will move to the NDP. Mr. Prue, you have about three minutes.

Mr. Prue: Yes. I've been trying to listen to you and read this compendium you gave me. I find it very interesting, but I draw your attention to page 9. On page 9, you have Ontario versus a number of American states—all American states—but you don't provide any comparators for what other provinces are doing. How does Ontario rank vis-à-vis Quebec, British Columbia, some of the other large provinces? How much do they charge for the premium tax rate? Are we out of whack there?

Mr. Yakabuski: We're not out of whack with respect to the Canadian reality, no. But this is a recognition of the fact that Ontario, frankly, is playing in a bigger league, and that when investors look at Ontario, they are not looking at, "Will I make the investment in Manitoba or will I make it in Ontario?" It's, "Will I make the investment in Ontario or Illinois or Indiana or some Great Lakes state?"

Mr. Prue: OK, but can you tell me what Quebec, British Columbia—

Mr. Yakabuski: British Columbia's premium tax is in the same order. Depending on the product, it actually might even be a little bit higher.

Mr. Prue: And Quebec, which also borders—I'm just trying to think of those where the major border points are. I know about British Columbia, Ontario and Quebec. What about Quebec?

Mr. Yakabuski: Quebec is comparable. One of the points we make in our brief is that taxes from the home, car and business insurance industry over the past two years have actually increased by over \$600 million here in the province of Ontario. On one hand, I'm not really complaining about that. We understand that's a reality. If we are doing reasonably well as an industry, we should pay our fair share of taxes. My point is that we are, and that the tax take from the insurance industry is very, very considerable. Therefore, there's a little bit of room today to look at the idea of premium tax relief, which would be consistent with what this Legislature has been trying to do in terms of bringing down auto insurance prices.

Mr. Prue: A year or two ago, the insurance companies were all saying they weren't making any money. The last figure I saw, and I can't remember the number, seemed to indicate that they're pretty healthy.

Mr. Yakabuski: Pretty healthy, and we're not saying otherwise, but we're in line with other financial industries, for the first time in about 15 years. The reality is that we have a cyclical industry. We always have, we always will. There are ups and downs, and we happen to now be at the higher end of that cycle, and it remains to be seen how long that will actually last.

Mr. Arthurs: Mr. Yakabuski, thank you very much for taking the time this morning. Certainly, there won't be too many Ontario drivers who would be unhappy to hear, overall, premiums are down by some 15%, and we see it ourselves.

Mr. Yakabuski: Absolutely.

Mr. Arthurs: Some \$1.2 billion of disposable income back in the pockets of the people of Ontario is pretty impressive. I don't know the numbers; I'll have to look them up later. I'm not sure what a 1% reduction in the GST might put back in people's pockets, but I suspect this is far better value for money in this particular case.

It's distressing to hear of more money being spent on legal fees than is actually spent on health rehab, that we're over that kind of a cusp. I think the government has to look and see how we can assist in ensuring that we're not into that milieu. Certainly your recommendations around protections against vexatious lawsuits are welcome.

Have you had any dialogue to this point with the health promotion ministry with respect to the matter of injury prevention? I ask that and give a little background. Back in my municipal days, I participated in initiating something called SCOPA, Safe Communities of Pickering and Ajax, which engaged local industry and co-chaired at the boards of trade, the local municipalities, and established things like student passports for safety for students working. The seniors' fall week was an activity they engaged in, and still do, and the whole issue of educating on WSIB rebates and the like. I'm just interested in what level of consultation you may have had to this point.

Mr. Yakabuski: We have not engaged with them on any sort of detailed level. We have informed them of the fact that we've launched our own injury prevention campaign, that we certainly want to work with them, and frankly, that we see there being potentially a real role for the ministry in, as I say, not just talking about health promotion, which is totally laudable, but also marrying that with the idea of injury prevention, because the two have to go hand in hand. There is a whole bunch of international literature that I think we can benefit from. If we were simply to take the best practices that are already happening on a community basis and share them with other communities across Ontario, we would be making a tremendous contribution as a Legislature and as a society.

We are not talking about reinventing the wheel, but we are really talking about bringing good ideas together and making sure that others have them at their disposition as well, which is what other countries have taken very seriously. For example, if you look at the road safety records of the United Kingdom and Sweden, they have had a tremendous reduction in the number of road injuries. We have done a good job in Ontario, but when you look at those countries, the record has been absolutely stellar. So we can learn from best practices and disseminate them. That's really what we're talking about here.

Mr. Barrett: I'd like to thank the Insurance Bureau of Canada for testifying. You put forward that Ontario must

prepare for a major disaster, and we're all certainly aware of the storms and the hurricanes. I think of the US South, Florida and, of course, Louisiana. I'm not sure to what extent the government of the state of Louisiana was able to handle what happened down there and to what extent they're able to handle it now.

Could you give us an idea of what the impact was? I ask this because, as I understand, business continues to be very concerned about not only their insurance rates but also their ability to get insurance or to get insurance for their tractor-trailers or what have you. I'm thinking more of small business in my area, if we get hit through reinsurance with any of these major events. How many mutual companies have gone under as a result of this kind of stuff? How is it impacting us, and will it impact us through the reinsurance hit?

1010

Mr. Yakubuski: First of all, the insurance costs of this year's hurricane activity in the United States are currently estimated at approximately \$80 billion. It's a very, very large amount of money. Fortunately, the American insurance industry is healthy enough to pay that bill. We have seen a couple of companies go under as a result of some of the Florida hurricanes. I believe these are smaller companies in the United States. We believe the industry is large enough and solvent enough in the United States to be able to handle this. But there is no doubt that the people in the Gulf states themselves are going to be facing a significant increase in insurance rates, both at the business level and at the homeowners' level.

With respect to the impact of reinsurance rates on Canadian insurance prices as a result of Katrina and Wilma and the others, we do not believe that's going to have a major effect at this time. Why? I talked about sometimes you get lucky and sometimes you don't get lucky. We are lucky in this sense, that there's a lot of competition in the insurance market right now. There has been a lot of new money that was attracted to the insurance industry over the past couple of years as the industry's financial position has improved. As a result, reinsurance prices were actually going down a bit prior to Katrina and Wilma. We believe that that negative sort of downward pressure on reinsurance prices will be a little bit greater than the upward pressure coming from Katrina and Wilma. The net effect, if you can figure all of that out, is that we don't believe at this time that reinsurance rates in Canada are going to be that much affected overall. That isn't to say that we're going to get lucky like that the next time.

Mr. Barrett: That's heartening.

The Chair: Thank you for your presentation.

Mr. Yakubuski: My pleasure.

ONTARIO HOME BUILDERS' ASSOCIATION

The Chair: I call on the Ontario Home Builders' Association to come forward, please. Good morning.

You have up to 10 minutes for your presentation. There may be up to three minutes per caucus for questioning after that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Victor Fiume: Thank you. Mr. Chairman, members of the committee, good morning. My name is Victor Fiume and I am president of the Ontario Home Builders' Association. I have also served as president of the Durham Region Home Builders' Association. I've been involved in the residential construction industry for two decades and I am the general manager of the Durham Group.

Joining me here this morning is Brian Johnston. Brian is first vice-president of the Ontario Home Builders' Association. He is also president of Monarch Corp. He is also a member of the Greater Toronto Home Builders' Association, the Hamilton-Halton Home Builders' Association, the Ottawa-Carleton Home Builders' Association and the Waterloo region, as well as serving on the board of directors at the Taron Warranty Corp. Monarch has built thousands of new homes and condos across the province over the past couple of decades.

We are both volunteer members in this association, and in addition to our business and personal responsibilities we are dedicated to serving our industry.

I'd like to ask Brian to start and tell you a little about the Ontario Home Builders' Association.

Mr. Brian Johnston: Thank you, Victor.

Good morning, Mr. Chairman and members of the committee. We appreciate the opportunity to speak with you today to deliver an important message from the residential construction industry. The Ontario Home Builders' Association is the voice of the residential construction industry in the province. Our association includes almost 4,000 member companies involved in all aspects of the industry that are organized into 31 local associations across the province. Our membership is made up of all disciplines involved in the residential construction industry. Together we produce 80% of the province's new housing and renovations and maintain our existing housing stock. Our industry represents over 5% of the provincial GDP and contributes approximately \$34 billion to the province's economy every year. Just as a comparator, this compares to a 4% total Ontario GDP economic impact for the automotive sector. In other words, housing is a bigger part of the economy than the automotive sector.

Over the last several years, Ontario has generated tens of thousands of new jobs. Many of these new jobs were in the residential construction industry. It's estimated that each average housing start generates approximately 2.8 person years of employment. Therefore, with housing starts estimated to reach 80,500 in 2005, Ontario's new housing industry directly provided over 225,000 person years of employment last year. This compares to just over 100,000 person years of employment a decade ago, when the housing industry was suffering in the depths of a recession.

Ontario's housing market in 2005 is active and healthy. Starts this year are expected to dip by just over

5% from last year. The housing industry is the engine that drives the provincial economy. Low mortgage rates, net migration to the province and high consumer confidence all contributed to strong sales in 2005.

OHBA and its members are looking forward to another healthy new housing market again this year. The Canada Mortgage and Housing Corp. is forecasting a very healthy 75,200 housing starts for 2006. Renovation spending is also very strong with an estimated \$15 billion spent in this sector last year. Due to the strength in the resale market, we are once again expecting another very good year in the renovation sector. This certainly bodes well for Ontario's existing housing stock, which benefits from efforts to maintain and upgrade housing standards.

The general consensus among members of our association is that the housing market has peaked and residential construction activity will decline slightly in 2006. In the annual Ontario Home Builders' Association economic forecast survey, builders listed the top five barriers to growth as follows: (1) shortages in the availability of land; (2) rising interest rates; (3) skilled labour shortages; (4) development charges; and (5) the cost of materials. In order to maintain Ontario's healthy residential construction industry, we believe that these barriers need to be addressed.

Mr. Fiume: The Ontario Home Builders' Association would appreciate your consideration with respect to the following.

Our members support the principle of a strong role for the Ontario Municipal Board to uphold the provincial interest in the planning and development review process within Ontario. The residential construction industry seeks to work with the provincial government to ensure that the OMB is a fair and impartial third party that will make decisions based on the provincial policy statement, the Planning Act and the merits of the application. Without a strong and independent OMB, provincial policies and objectives outlined in the new provincial policy statement and in various provincial growth plans would be compromised and undermined. The right of appeal of a municipal council decision, or where no decision has been provided to the OMB, is an important counterbalance to the vagaries and oft-times political whims of local council. It is important that the general public have an opportunity to raise legitimate concerns with respect to planning issues through the OMB. OHBA urges the province to consult with the residential construction industry on changes to the OMB and transitional rules in particular now that the province has moved forward on OMB legislation.

Excessive regulation and over-taxation on the home building industry has pushed the price of new homes higher and higher which, in turn, has put home ownership out of the reach of many Ontario families. New housing is in fact the highest-taxed industry in Ontario after tobacco and alcohol. Studies by the Urban Development Institute have found that the total taxes, fees and charges paid by a homebuyer were up to 30% of the cost of a new

home. The development charge represents a substantial portion of these fees.

Not only do these charges contribute significantly to the cost of housing in the province, but there are serious concerns that some municipalities may be manipulating development charge calculations to increase revenues. OHBA seeks to ensure that new homebuyers pay only their fair share of growth. To this end, we are recommending that the province consider the implementation of a third-party, independent peer review process for development charges background studies as well as an independent audit process to ensure development charges are spent properly by municipalities.

Mr. Johnston: The Ontario Home Builders' Association recommends that the province significantly increase investment to expand and repair existing infrastructure that benefits all Ontarians. There is currently tremendous pressure to upgrade aging and neglected infrastructure across Ontario to bring it up to current standards and regulations. Our members are concerned that provincial intensification efforts will place additional strain on infrastructure and transportation networks in existing built-up areas. Both public transit and the provincial highway network require cost-effective government investments to enhance, expand and maintain the current system. The province must outline a long-term transportation plan for Ontario that is efficient, effective and financially feasible.

1020

Our members recommend a balance between roads and public transit to ensure a high quality of life and the efficient movement of goods and services in Ontario.

The shortage of skilled labour is also a major concern for the construction industry in Ontario, and has been a top concern for our members over a number of years. The increasing number of skilled tradespeople retiring is not being offset by the number of young people entering the industry. Informing and educating the public about the opportunities available in the construction industry as well as dispelling some of the negative stereotypes associated with skilled trades are a major challenge for the industry and government.

Our members recommend the development of co-op programs at the high school and college levels that would bring students on to sites and provide hands-on experience in construction and safety practices. We also encourage the government of Ontario to partner with industry stakeholders in developing programs to highlight the advantages of a career in skilled trades. OHBA urges the government to increase school funding for shop facilities in order to run the programs productively.

Mr. Fiume: Our members are very concerned that the government has allowed private member's Bill 2, An Act to amend the Building Code Act, 1992 respecting home fire sprinklers, to achieve second reading. The Ontario Home Builders' Association strongly believes that this private member's bill is attempting to circumvent the conventional and well-established multi-stakeholder process to facilitate the regular review of the Ontario building code in a fair and balanced manner. Numerous

studies have indicated that hard-wired smoke detectors are a far more effective method of reducing injury and damage due to smoke and fires. Of course, recently announced legislation that will take effect March 1, 2006, has borne that out to be true. OHBA is concerned that this private member's bill will pass, notwithstanding the fact that it is not stated government policy.

The Chair: You have about a minute left for your presentation.

Mr. Fiume: Sure; thank you.

Pressure from the underground economy continues to plague our industry, particularly in the renovation sector. On the provincial level, estimates range from \$1.1 billion to \$1.7 billion per year in lost revenue. OHBA recommends that the government work together with industry to seek out ways of encouraging and enticing customers to utilize the skills and services of legitimate, honest renovators and contractors.

Mr. Johnston: Mr. Chairman, let me conclude by stating that our industry is a very important contributor to the local, provincial and federal economies. Our industry is strong today; however, with interest rates now on the rise a number of government policies and regulations will start to have a detrimental impact on housing choice and affordability. Our members are very concerned by the prospect of significant changes to the OMB.

The OHBA is in full support of government initiatives to balance the budget. The residential construction industry has a valuable role to play in the elimination of the deficit.

Mr. Chairman, members of the committee, I'd like to thank you for your attention and interest in our presentation, and we look forward to hearing any comments or questions you may have.

The Chair: This round of questioning will go to the government.

Mr. Arthurs: I was particularly interested in a number of your comments, obviously, and the recommendations being made. I'm glad those are on the record so we will have a chance as government to review those on various pieces of legislative initiatives, particularly around the OMB. I think it's an important matter and it will take some time and consultation to get it right. So I particularly agree with those.

I was interested in your summary document, though, in particular: Approximately half of the \$34 billion spent on residential construction, \$15 billion of that, is in the renovation sector. I didn't realize. I knew it was important; I didn't realize it was that important. When we talk about skilled trades, I wish I could use a compound mitre saw so I could get those crown mouldings and baseboards right when I'm replacing some flooring.

Having potentially peaked in the new home sales area at this point, the new build, how important is the renovation market going to be in this cyclical mode we always find ourselves in on a go-forward basis, and what can we do from the skilled trades side maybe to support and reinforce that particular segment of the marketplace?

Mr. Fiume: Obviously, the renovation sector is very, very important to the economy of this province and also to our members. The softening of the housing market—please understand, it will still be at relatively high rates compared to our average. Next year, we're forecasting somewhere around 75,000 starts. The average over the last 10 years has been about 72,000 starts. So it will still be a fairly healthy market.

Certainly, part of what we do at OHBA is revitalize our existing housing stock, which is a very important component of the overall housing market. Unfortunately, not everybody buys a new house, and it's certainly very important to us as an industry to promote the renovation sector and, maybe more important to this government and the federal government as well, to ensure that renovations that are done in homes are done above-board, above table, so that we're all benefiting as a province, as a country, from the revenues that currently are not forthcoming. That includes WSIB premiums, GST payments, PST payments and the like.

We would like to work with the province when it comes to the underground economy. I will say this to your first comment, that we have been working very diligently with many of the issues that may face us—Planning Act reform, OMB reform—with this government and hopefully will continue to do so.

The Chair: Thank you. We'll move to the official opposition.

Mr. Hudak: Gentlemen, thank you very much. It's good to see you again. Thank you for your thorough presentation and submission.

I referenced earlier to the minister our concern as opposition for Ontario falling behind the other provinces, let alone states that we need to compete with for jobs and investment. It seems almost that the minister is celebrating the mediocrity of Ontario's economy in Dalton McGuinty's Ontario.

You talk about housing starts. The Royal Bank's recent analysis of provincial economies said the following: "Ontario ranked fifth among the provinces on job growth during the year"—this is the past year, 2005—"but that's as good as it gets. The province ranked towards the bottom of the pack on virtually everything else."

What you said about housing starts is confirmed by the Royal Bank. Ontario is below the Canadian average on housing starts, just ahead of Newfoundland, Quebec and Saskatchewan with shrinking housing starts. In building permit growth, we're second-worst next to Prince Edward Island. So the concerns you have about the housing market, I think, are well confirmed by economic data.

What I worry about is that if people are not making the choices to buy a new home, to invest in a home, it shows underlying concern about the future of the Ontario economy. Does the housing market usually signal what may be happening in the future?

Mr. Fiume: Absolutely. When we talk about some of these macro-level economic policies—you know, Joe Person on the street knows what his paycheque will cover

when it comes to his expenses and how secure he or she feels in their job. In this industry, we're very much grassroots, and we feel it right away in our sales offices when people are somewhat skittish about the economy and rising interest rates, which we really don't have a whole lot of control over. Interest rates have been masking some underlying economies in buying a home. Over the last number of years, we've had a very low interest rate, which had been hiding some of the problems and some of the concerns that we're having: the rising price of homes, the rising cost of land, obviously, and materials.

Mr. Hudak: Is it fair to say that the downturn, the concerning statistics on the housing side, reflect a concern among Ontario families about disposable income or the security of their jobs in the province of Ontario?

Mr. Fiume: I think more in terms of their affordability. I'm not sure that we sense just yet that they are worried about losing jobs, but I think they know how much they're taking home in pay and what's happening in terms of the rising cost of utilities, gasoline prices and everything else. I think they're voting with their wallet, as opposed to concern over where the money's coming from.

The Chair: Thank you. We'll move to the NDP.

1030

Mr. Prue: A couple of questions. The first one is about your comment on sprinklers—the private member's bill. I think every member of the Legislature who was there voted for it, including me. We did it because the fire chiefs said that it would save lives and the insurance industry said that it would greatly reduce the cost of insurance; that would be saved in very short order over what it cost to install it. This is a pretty blunt question: Why are you putting your potential profits ahead of the safety and security of the people who are going to live in your buildings?

Mr. Fiume: Absolutely, Mr. Prue, we would never put our profits ahead of the health and safety of our homeowners. I guess the question I have for all of us here in this room is, if indeed sprinkler systems will save lives in new homes, will they not do the same in existing housing stock? If the intent of this legislation is truly to save lives, then I would say to you that it is the responsibility of this government, indeed all of us here, to ensure that every home in Ontario has a sprinkler system. The fact of the matter is that people are not even changing the batteries in their smoke detectors, and many homes don't have smoke detectors. I think we need to tackle this issue from a much more grassroots level; get smoke detectors put in. As explained, the government has introduced that legislation and it will be effective as at March 1, 2006. Every home in Ontario will have to have an operating smoke detector or face fines.

We think there are more efficient ways to combat this problem. In summary, 90% of our fire deaths are the result of preventable fires. Where's the public education in all of this? Certainly, I think we are second to none when it comes to some of the innovations in our houses

that have reduced accidents and deaths in homes, and increased the liveability of our homes.

Mr. Prue: I looked at your—well, I was trying to look, because everybody always gives much bigger submissions than they're actually speaking about. So I'm trying to read all of this. You show some disturbing trends in homebuilding and population growth, particularly in northern Ontario. I don't know where you got the figures from, but you show North Bay declining in population hugely over the next 20 years. You show the Soo declining even more rapidly. You show Sudbury declining slightly. You show Thunder Bay declining slightly. Then, when you flick over the page, you see the projections for household growth, or the number of homes being built, declining or remaining static only in northern Ontario. Where did you get this information? Do you not hold any hope for growth in northern Ontario?

Mr. Fiume: The information is gathered from CMHC and Statistics Canada and is widely used by not only this government, but by the previous government and all governments before in articulating where they envision growth to happen. All of this comes from different Places to Grow legislation that's out there, with statistics that are widely available to the public.

We don't create growth; we respond to it. Yes, we would like to see a lot more homes. We have many, many members in northern Ontario communities, and we would like to see them prosper as well. We'd like to see that those cities and towns prosper in northern Ontario. We can't necessarily make it happen, but certainly we can react to the demand.

The Chair: Thank you for your presentation this morning.

CO-OPERATIVE HOUSING FEDERATION OF CANADA, ONTARIO REGION

The Chair: I call on the Co-operative Housing Federation of Canada, Ontario region, to come forward, please. Good morning.

Mr. Harvey Cooper: Good morning.

The Chair: You have 10 minutes for your presentation, and there may be up to three minutes of questioning from each of the parties. You may begin. Please identify yourself for Hansard.

Mr. Cooper: My name's Harvey Cooper. I'm the manager of government relations for CHF Canada, Ontario region. Unfortunately, our president, Lori-Anne McDonald, has come down with the stomach flu this morning, so she can't be with us. We want to thank you for the opportunity to make a presentation to the standing committee on behalf of more than 125,000 members living in 550 non-profit housing co-operatives across this province.

Housing co-ops want to continue to help meet the need for affordable housing of all Ontarians. In our presentation this morning, we'd like to focus on a few critical

housing issues that the Ontario government should consider as it is preparing its 2006 budget, namely:

—The state of housing in Ontario: What's wrong with this picture?

—Solutions needed on both sides of the supply and demand equation.

—Using the affordable housing program to alleviate the current affordable housing crisis.

—Protecting the viability of existing community-based housing.

Certainly, most commentators would agree that housing is a vital platform for individual health and well-being, economic prosperity, an inclusive society and, as research is increasingly confirming, healthy communities. All these areas, I believe, are key priorities for this provincial government. If it's going to deliver on these priorities, affordable housing has to be a fundamental part of that foundation.

There is certainly some impression out there, promoted by some commentators, that with vacancy rates climbing—I should mention the CMHC annual vacancy rates just came out this morning. I haven't had a chance to go through them, but for Ontario they've tightened up for the first time in a couple of years. I think they went, overall, from 4.1% back down to 3.8%.

Overall, while the housing situation is improving, that isn't being translated for those of low and modest means in this province. In our view, there is still much housing-driven poverty in Ontario. This past September, our organization and the Ontario Non-Profit Housing Association published our annual report. I've brought copies here this morning, if any MPPs are interested, of *Where's Home? 2005: A Picture of Housing Needs in Ontario*. As the previous commentator mentioned, we also used Statistics Canada data, as well as data from CMHC, to compile the report.

In the past couple of years, while Ontario's vacancy rates have been increasing, and this is good news, it doesn't seem to be a lot of help to many low-income renters who cannot afford the current existing rents. Overall, it's important to remember that vacancy rates are cyclical. Rates can drop as rapidly as they have risen. As interest rates increase from today's historic lows, as immigration returns to normal levels, as the pool of tenants with down payments dries up and graduation to home ownership slows, we can expect to see vacancy rates drop.

There's been a lot of debate as to whether the growing affordability problem is mainly a poverty problem—the result of people with just, frankly, not enough income—or a housing problem: the shortage of affordable units. Our view is that the reality is that both demand and supply matter.

In the report we did—we've given you some highlights—both sides of the equation are borne out. Rents on approximately 75% of all rental units in the province have been increasing above the rate of inflation the last decade. We're actually losing rental housing: over 16,000 units during that period. In terms of affordability, about

one fifth of renters in this province pay approximately 50% of their income on rent. Overall rental production is down. In the late 1980s and early 1990s, we were seeing 12,000, 13,000, 14,000 rental units per year. Since 1995, the average has been just over 2,000 units.

Clearly the province must work on both sides of the supply and demand equations. New affordable units should be added, and measures should be taken to increase affordability, such as increases to the minimum wage, the shelter component of Ontario Works and the Ontario disability support program, as well as an increase in rent supplements.

Over four years ago, the province and the federal government formally committed to the affordable housing program, but because of serious flaws and a lacking provincial contribution, only a very small fraction of those units have actually been delivered. Under a revised agreement signed in April of this year with the federal government, Ontario has now undertaken to match federal funding. The province is pledging to produce 15,000 affordable units and 5,000 housing allowances under the life of the program, which is extended to 2010.

I should note that these commitments do fall short of the government's campaign pledge. In 2003, they promised 20,000 affordable units and 35,000 housing allowances. The undertakings are also below the documented need for affordable housing. There are over 160,000 households on municipal social housing waiting lists at the moment.

1040

Although the number of new homes and rent subsidies promised are modest compared with the need, these commitments signal the re-entry by the province into the affordable housing business after a decade-long absence. This is a significant and welcome development. The province has now unmistakably hitched its affordable housing agenda to the affordable housing program and, as it plans for its 2006 budget year, it must ensure this vehicle is sturdy enough to make inroads into the housing crisis that has developed.

The co-op housing sector has worked for the last 35 years with governments to design housing programs. I'd like to speak briefly on some recommendations that we think should underpin this program, principally looking at sustainability, affordability and a level playing field for community-based providers.

New supply initiatives by the province should focus on developing permanently affordable non-profit housing. Co-operative and other forms of non-profit housing have proven over time to be the best return on public investment. Many earlier government programs based in the private sector have been unsuccessful. The poorest households have had little access to the housing, the units have not remained affordable over time and there has been little accountability to the taxpayer. Furthermore, long-term savings are realized by creating not-for-profit housing. Over time, the capital costs are paid and long-term public benefit is achieved. A recent study confirmed

other benefits in terms of strengthening local communities.

We feel the most glaring problem of the affordable housing program is that it actually doesn't serve the hundreds of thousands of households on those waiting lists I spoke of. To be affordable, we feel at least half of those 15,000 promised units should be accessible to low-income households, which would pay roughly 30% of their income and receive a subsidy for the balance. As the program is currently designed, it has no significant rent-gated-to-income component. Capital funding is intended to be sufficient to bring rental costs down to below-market rental levels, but the housing will remain out of reach of those most in need.

The recently announced housing allowance program is not tied to the capital program and it's only going to provide shallow subsidies averaging about \$267 per month per unit across the province. Those households in core need requiring deep subsidies will have little access to either the units being produced or the allowances available.

We feel a level playing field for community-based housing should be one of the outcomes of the revised agreement between Queen's Park and the federal government because currently the program remains very much a private rental supply program. Non-profit and co-op proponents struggle with lack of equity and the front-end cash flow required that currently makes the program work. It's very difficult for these small-scale organizations to put together financially viable proposals. They just don't have the financial wherewithal to explore development opportunities, option sites, prepare working drawings, hire building consultants and do all the other necessary advance work to bring a fruitful proposal to the table.

We've made a number of suggestions in terms of increasing their participation in the program. There hopefully should be an increase in the level of upfront proposal development funding. We hope the government will provide land for permanently affordable housing and also make a commitment of resources to rebuild the capacity of many of the community-based groups that previously participated in affordable housing.

I'd like to speak very briefly on protecting the existing viability of community-based housing. As I'm sure many MPPs are aware, there's quite a significant capital shortfall from the housing that was devolved to municipalities a number of years ago. The long-term viability of that stock is currently at risk. There have been a number of studies both at the provincial and municipal levels that have indicated that, and have tried to peg some numbers on what that shortfall is.

One immediate measure that we would propose to the province is considering leveraging the government's preferred interest rate under the Ontario Strategic Infrastructure Financing Authority to allow those housing providers access to capital financing at reduced rates for significant repairs. Right now, they're not eligible.

Lastly, I'd like to speak briefly on reviewing and amending the Social Housing Reform Act. I think our members have spoken with a number of the MPPs and your colleagues in the Legislature. Certainly, our view is that the Social Housing Reform Act has failed to deliver the more businesslike and reliable operating framework promised under that legislation. In fact, the funding arrangement is less secure than previously. Hopefully, these problems can be addressed through a comprehensive review and overhaul of the legislation. It's the number one priority of our members. The act, in a lot of ways, is undermining the community-based housing model that governments turned to over 30 years ago as an alternative to large-scale, government-owned and managed housing. We've met with the Minister of Municipal Affairs and Housing, the Honourable John Gerretsen. We've made detailed recommendations to him and we're hopeful that in the coming year, one of the priorities of that ministry will be a sober second look at that legislation.

In closing, we feel that co-operative housing is a well-documented success story in Ontario. For more than three decades, co-ops have provided good-quality, affordable housing, owned and managed by the community members who live there. We look forward to working with the provincial government to strengthen these communities and develop more co-operative housing to meet the needs of Ontario citizens.

Once again, we want to thank the members of the committee for giving us the opportunity to express our views this morning.

The Chair: Thank you. We'll begin this round with the official opposition.

Mr. Hudak: Thank you very much for the presentation. Good to see you again. I do want to note for the record that you made some points about the government falling short of its campaign platform commitments for affordable housing units. Sadly, that's no surprise. You know that there have been a lot of broken promises by the Dalton McGuinty government, but I think it was important for you to bring that forward today. In the same sphere, there was a campaign commitment to bring back rent controls within the first year of the McGuinty government, which has also failed to materialized.

You use some colourful language on page 3 which I enjoyed. You said, "The province has now unmistakably hitched its affordable housing agenda to the AHP wagon. As the government plans the 2006 budget year, it must ensure that this vehicle is sturdy enough," and you go on. I don't understand the underlying concern: Are you worried that the wheels are going to come off?

Mr. Cooper: Well, it's not so much whether the wheels are going to come off, but will the wagon drive forward. We also mentioned in the presentation that this program goes back about four years. The number of units that have been promised by different administrations has varied, but the number of units delivered at this point—and I believe the province put out the detailed appendices with the recent schedule that was signed with the federal

government. My understanding is that only about 700 or 800 have either been occupied or are under construction under this program.

We're about halfway through the government's mandate. Our concern is, unless the program moves ahead expeditiously—it takes a typical housing project two to three years to get off the ground, and that's assuming there aren't a lot of zoning approvals and other barriers. We feel that there have to be some improvements made to the program, particularly if you're going to get community-based participation. In our organization, our members don't come to the table with deep pockets. There are still some equity requirements in the program. We feel we can be a willing partner with the government if they can make some improvements. We think it's actually now an ambitious agenda to try to complete a lot of those units in the back end, the last couple of years of the program. That's our concern.

Mr. Hudak: Are there some incentives that you might recommend to the committee for the private sector to do a better job of producing affordable housing, whether those are direct benefits, tax write-offs or helping tenants shop around a bit better?

Mr. Cooper: There's not a one-solution-fits-all here, as you're aware, Mr. Hudak. I think the previous speakers also mentioned that the housing industry is one of the most taxed industries in this province. Property taxes, for example: Those tenants living in multi-residential buildings—I believe there have been a number of reports that went to the Legislature over the years about the discrepancy between the property taxes paid on multi-residential apartment buildings compared to home ownership.

That's just one of the components that figures in when anyone is planning on putting up a rental building. Somebody has to pay those property taxes, and there are certainly other tax improvements that could perhaps entice both the private sector and the non-profit sector, we would hope, back into the affordable housing business.

The Chair: Thank you. We'll move to the government.

Mr. Wilkinson: Good to see you again, Harvey. You have been doing a wonderful job of helping to educate new members like myself and some of the others around this table about this issue.

I quote something that we've all learned. As you've said on page 4, "Co-operative and other forms of non-profit housing have proven over time to provide the best return on the public investment." Part of that is your ability to help us focus on a number of areas. You know that our goal is ambitious despite the fiscal challenges that we were surprised to find ourselves in. We have a Minister of Municipal Affairs who's quite busy with many pieces of legislation, as you know—you've been very helpful with that. I don't know if we have a minister who is providing as many pieces of legislation.

To go to the question of amending and revising the Social Housing Reform Act, could you just outline for us

specifically those types of things that you need us to reinforce with Minister Gerretsen to get this on his agenda to move, because I know in my riding this has been very successful?

1050

Mr. Cooper: As you've mentioned, we've met with a lot of members on this. We think that maybe part of the difficulty is—we know that Minister Gerretsen has a very full agenda. There's limited legislative time. There are a lot of municipal issues.

That being said, some of the key areas we would like to see revised are some of the punitive aspects for those residents in non-profit co-op housing who are on rent-gated-to-income. I won't go into the details, but I think those are fairly well-known. Another important area is that the legislation affects over a quarter of a million households that were devolved under the act. So the legislation treats every housing provider exactly the same, whether you're a 60-unit co-op in your riding of Stratford or whether you're 58,000 units of the Toronto Community Housing Corp.

A lot of the former level of decision-making and discretion by community boards that took pride in managing the housing at the local level has been undermined by the legislation. Just because of the volume that's involved, you try to have rules that make sense for everybody, and consequently, in a lot of ways, they don't make sense for anybody, particularly those community-based groups who feel, to a great extent, why be involved as volunteers? Their ability to make a difference, to have some level of decision-making, some discretion—they know how things should perhaps work in Stratford, in their particular municipality. That's one of our biggest challenges, and we feel it's lost in the legislation, so if some of those concerns could be addressed.

The Chair: Mr. Prue, the other two parties have asked their questions. You have an opportunity, with three minutes.

Mr. Prue: With three minutes. I apologize to Mr. Cooper, because I had an important phone call that was prearranged for weeks, and it just happened in the middle of his presentation. But Harvey, I'm quite familiar with what you do and what you stand for.

I just like to ask you: There's been a campaign going on in terms of social housing in Toronto, about the download and the need for the province to ante up \$224 million to get that back. Is there any way that the co-operative housing movement can facilitate, or is there some way that you could get involved or take over some of these, in order to allow people to live in a co-op and fix them? I'm just searching around for anything, because the conditions that I witnessed were absolutely deplorable.

Mr. Cooper: Mr. Prue, you're talking about the former public housing stock?

Mr. Prue: Yes.

Mr. Cooper: We've certainly been active in that over the years. It's very time-consuming. We've offered that as an option if in fact the tenants in that particular build-

ing or group of buildings are interested. As you're probably aware, there's one fairly successful conversion project in Toronto, the Atkinson Housing Co-operative: 410 units. That being said, that conversion went over 10 years, three different governments. It's a very time-consuming process. We continue to offer that as an option.

Anything that the different levels, both municipal and provincial government, can do to support that process—because frankly, a lot of the work came from the co-op sector on that one conversion. The fact that it took 10 years indicates that there wasn't necessarily a willingness of different partners to advance that, even though the tenants voted in two different referendums—overwhelmingly, I believe: 82% and 83%—to actually convert the property to a co-op. So by all means: It's an important issue to us, and we'd be more than willing, where again tenants express an interest in that forum, to have a look at it.

Mr. Prue: The reason I ask that question is that the co-ops that exist in my riding and the ones that I have seen, mostly across this city, are in generally some of the finest states of repair of any rental or other type of accommodation. To see the difference between one form and model, like the co-op model versus public housing on the other side, which is starved for funds—I don't blame the people who run it, because they don't have the money. I just see it as a way of providing some of our most desperately needy people with affordable and wonderful housing, as opposed to non-affordable and awful housing. That's why I'm asking that question.

Mr. Cooper: We certainly have to be a little bit more high-profile about making that offer, but we'd be more than willing to embrace some of those community projects where they're willing to take a look at that. As you mentioned, Michael, we think one of the benefits co-operative housing does bring is that the residents do take pride. They have collective ownership, not individual ownership, but we feel that does make some difference in the upkeep and the responsibility that they take for making sure that their homes are well looked after.

Mr. Prue: I hope this goes to the minister. Make sure he sees it.

The Chair: Thank you for your presentation this morning.

CANADIAN CANCER SOCIETY, ONTARIO DIVISION

The Chair: I call on the Canadian Cancer Society, Ontario division, to please come forward. Good morning. You have 10 minutes for your presentation. There will be a round of questioning of approximately three minutes per party following that. I would ask you to identify yourselves for the purposes of Hansard.

Mr. Peter Goodhand: I'm Peter Goodhand. I'm the chief executive officer of the Ontario division of the Canadian Cancer Society.

Ms. Rowena Pinto: I'm Rowena Pinto, senior manager of public issues for the Canadian Cancer Society, Ontario division.

Mr. Goodhand: We have provided a presentation, but I'll walk through most of the key points in that presentation. First of all, I'd like to thank you for the opportunity for being here, particularly as it's the second time this year I've had the opportunity to present. Earlier in the year, we were talking about smoke-free legislation. This time, although we're obviously still addressing from the perspective of cancer, we're addressing the issue by looking at the economic impact as part of preparing for the budget cycle. We also focused on two aspects of cancer that are particularly critical and often don't get attention. The two cancer perspectives we're taking are from the most deadly and the second-most deadly of all cancers, and typically the ones that attract the least attention from public awareness or fundraising. We focused on those two and very much on prevention, as opposed to trying to deal with the disease after it's already devastated people. So we're trying to get ahead of the curve.

The economic impact of cancer on Ontarians: The cancer epidemic in Ontario continues to grow. While cancer treatments have improved and mortality rates have fallen, cancer incidence is poised to increase drastically due to Ontario's aging and growing population. That's a critical factor that we have to get across to you. When we talk about a cancer crisis, the increase in cases, it's not through new risk factors being introduced; it's the aging population and well-known risk factors. In 2005, it's estimated that just a little over 25,000 Ontarians will die from cancer and that over 56,000 Ontarians will be diagnosed with the disease. Due to the aging and growing population, it's estimated that this rate of cancer will increase by two thirds by 2020.

What's not always well-known is that cancer is a major cost-driver in provincial health care budgets and affects the ability of all governments to collect revenue and pay for services. That's because the particularly devastating impact of cancer is that it tends to strike people younger, and often in their productive working years. Ontario currently spends approximately \$2 billion per year on direct cancer care, and the indirect costs associated with lost productivity are calculated to be approaching \$5 billion a year.

Due to the prevalence of cancer and its growing impact on the lives of all Ontarians, we believe simply that all levels and sectors of government must address cancer control. Unless strong measures are taken immediately, cancer will become a serious economic burden, in addition to a major health problem in Canada.

These are national figures: It's estimated that over the next 30 years, 2.3 million Canadian workers will get cancer, and 858,000 workers will die from cancer; economic productivity at risk due to cancer in Canada is \$545 billion, and direct health costs in that time are at \$176 billion; and tax revenues—these are Canadian numbers again—that could be lost due to cancer are projected

at \$250 billion, \$154 billion in federal revenues and \$96.6 billion in provincial tax revenues.

Of this \$250 billion of tax revenue at risk, \$228 billion is associated with morbidity costs, productivity losses prior to death. We therefore project that tax revenues across Canada will be drastically impacted over the next 30 years. To ignore these facts is to ignore the fact that cancer will have an enormous impact on the economy of Canada and Ontario.

Cancer will touch two out of three households in Ontario, and its impact can no longer be ignored. For these reasons, we call on the government to focus on cancer control today so that fewer Canadians and fewer Ontarians will have to suffer its impact in the future.

1100

We are going to emphasize just two aspects. There are probably half a dozen subtopics that we could bring to you, but we're going to bring just two: firstly, tobacco and, secondly, colorectal screening.

I would also like to recognize the leadership that Ontario has shown in the area of tobacco control. The legislation that's being introduced is among the toughest in North America, and it's a real step forward in dealing with this disease.

Tobacco continues to be the leading cause of preventable death in Ontario. Tobacco kills approximately 16,000 Ontarians, with as many as 2,600 deaths attributable to second-hand smoke. Lung cancer remains the leading cause of cancer death for both men and women, with 85% of lung cancers caused by tobacco. Deaths from lung cancer is higher than breast cancer, prostate cancer and colorectal cancer put together, just to put it in perspective.

Despite some increases in tobacco taxes since 2003, for which we thank you, Ontario still continues to have the second-lowest tobacco tax in Canada, second only to Quebec. In fact, Ontario's cigarette taxes are approximately \$17 lower than Manitoba. The government made an election promise in 2003 to raise taxes to the national average, and we're still approximately \$10 away from that goal.

The Canadian Cancer Society, Ontario division, puts forth the following recommendations for cancer prevention to the government of Ontario:

Raise Ontario's tobacco tax by a minimum of \$10 per carton to bring Ontario's taxes in line with the national average. Underpinning that, Ontario has the second-lowest price of cigarettes in Canada, and that's covered in appendix A. Research has demonstrated that a 10% rise in taxes can result in a 4% reduction in tobacco consumption. Most importantly, that impact is greatest in youth smokers. Taxation price is probably the single biggest thing that we can do. It's almost that we've done everything else, and this is the one significant thing that can be added to the legislation. This initiative would also increase government revenues substantially to enable funding for other key health areas. It will honour the 2003 election commitment, and we know that the incre-

mental increases must be significant to produce the health impact.

We also focused on some other areas of tobacco, and one is the loophole that exists for roll-your-own tobacco and tobacco sticks. We're asking that the tax on roll-your-own cigarettes should, at minimum, be doubled. Currently, there's a huge difference between taxes on roll-your-own and a carton of cigarettes. I think it's four times the rate for the same amount of cigarettes. That's shown in appendix B. We're asking you to consider increasing that significantly. This loophole, as it exists today, allows smokers and youth to switch types of tobacco and avoid the tax and the increases that you're putting through. Again, this increase will augment government revenue.

Thirdly, the current regulations surrounding tobacco quotas are poorly enforced. It is essential that the Ontario government properly enforce the existing regulation.

Regulations limit the quantity of tax-exempt tobacco product that may leave a reserve. However, these regulations are currently not being properly enforced. Due to lack of enforcement, there's currently some leakage from reserves, resulting in legal sales either to non-aboriginals purchasing tax-exempt tobacco on a reserve, or in a tax-exempt product being sold off reserve, despite being intended only for reserve sale.

Additionally, the government must ensure that products of all tobacco manufacturers are covered by the quota system, as required pursuant to the regulation. This currently is not the case. Presently, allocation of quota applies only to the three main brand tobacco products. Canadian Native tobacco products, such as Grand River Enterprises brands, which are legal products, are not subject to the quota system. The government must ensure that all tobacco products, including main and native brands, are subject to regulation. Failing to effectively enforce the regulation harms both public health and public revenue objectives of higher tobacco taxes.

Finally in the tobacco area, we recommend that Ontario launch a lawsuit against the tobacco industry to recoup health costs. This lawsuit would allow Ontario to potentially obtain billions of dollars in compensation for health care costs attributed to smoking, which it can then use to strengthen health care in Ontario. Ontario has adopted cost-recovery legislation to facilitate a lawsuit against the tobacco industry, but it is very weak. Ontario must strengthen its legislation prior to engaging in a lawsuit. BC provides a strong model to follow.

We do believe it is time for the province to hold the tobacco industry accountable for its actions. For reference, in the US, medicare cost-recovery lawsuits by state governments have led to out-of-court settlements in 1997 and 1998, resulting in the tobacco industry agreeing to pay US\$245 billion over a 25-year period. That's a familiar topic, one that we've raised with you before, and we appreciate the leadership that you've shown in the past.

The second issue is one that perhaps isn't as well known to you, and its impact is potentially as great, and

that is colorectal cancer. It's the second most deadly. It kills almost as many Ontarians as breast cancer and prostate put together. As we go through this, there are some answers that are simple, cost-effective and can be taken now.

The Chair: You have about a minute left in your presentation.

Mr. Goodhand: Then I won't read and run out of time. I'll just provide a synopsis of what we're really saying on colorectal cancer. It's one of those cancers that, if caught early, is 90% curable; if caught late, it's 90% deadly. Research last year showed that 22% of people with colorectal cancer discover they have it when they're admitted to an emergency room with bowel obstruction or severe pain. At that point it's far too late in the game to do anything for most people.

There's a simple test, the fecal occult blood test. It's cheap, it's effective, and can be introduced—evidence in other jurisdictions has shown that it can be highly effective as a screening tool, population-wide, to identify colorectal cancer much earlier, at the stage where it can still be cured.

From a finance point of view, it's a \$30,000-per-patient benefit dealing with colorectal cancer early rather than late. So from a purely economic point of view, it makes absolute sense to diagnose early and treat early and, from a survival perspective, it makes all the difference in the world: from 10% survival to 90%.

That's my colorectal synopsis.

The Chair: Thank you. We'll begin this round of questioning with the NDP.

Mr. Prue: Let's go to that last point first. Is this a new test or is this a different test? When I go to my doctor, the doctor wants to do the traditional thing with the television. Is this something completely different, or is it exactly the same, with another name?

Mr. Goodhand: Less invasive; less painful.

Mr. Prue: Less invasive. And how much is it?

Mr. Goodhand: We're talking a fraction of the cost.

Mr. Prue: When you say a fraction, is this \$50, \$100, \$1,000?

Mr. Goodhand: The actual test itself is the small element. The cost would come from how broad you make it, how much you promote it. The actual test itself, I think, is less than \$5. If you don't tell everybody about it and you don't make it available and you don't put it into a systematic program, then the participation rate—I think you nailed it on the head when you said that you go to your doctor and discuss it. The issue is that the vast majority of Ontarians who are in the age group that need it are not discussing it with their doctor, and that's particularly relevant for men who don't.

Mr. Prue: That's why I wanted to ask this question. I go once a year to see the doctor for the checkup, and he has never discussed this with me.

Mr. Goodhand: That's not unusual. We've got two issues: We've got people who either don't have a doctor or see a doctor on a regular basis, and then we've got the people where the GP doesn't discuss it with the patient.

It's age-dependent, and there are family history issues, so there should be an automatic point that, when you reach a certain age, your doctor will discuss these screening tests with you.

Mr. Prue: No, he did discuss the invasive one that's not too appealing to me, but the \$5 test you can do simply?

Mr. Goodhand: It's simple. It's a stool sample. The issue is that we have now got level one evidence from multiple jurisdictions, where over thousands of patients, if you do a population-based screening—the whole population in the age group—and go after it, we can get a reduction in colorectal mortality rates of 15% to 30%, from the studies that have been done. On an individual basis, your doctor may be right to recommend for you the colonoscopy, but for the population of Ontario at large, the absolute best, proven, cost-effective method is FOBT. I wouldn't discourage you from undergoing a colonoscopy.

Mr. Prue: No, I'm not saying that. FOBT—I'm going to talk to him about that.

The second thing is the cigarettes and the loose tobacco. The very first motion I made in this new government in committee was to increase the tax rate on loose tobacco. It was ruled out of order. The finance minister at that point, Mr. Sorbara, told me that he would include it in the next budget, and I thought he had.

1110

Ms. Pinto: There has been a slight increase, but it's still about half the amount of a full carton of cigarettes. So there was one slight increase, I believe, but it's still not up to par.

Mr. Prue: All right. OK. Thank you.

Mrs. Carol Mitchell (Huron-Bruce): Thank you for the presentation and for all the work that you do in our communities. I do thank you for that.

What I'm looking for is if you could quantify or put a dollar figure to tobacco with regard to the lack of regulation from the native brands. Can you give me a dollar figure? I see this as an area that is growing even greater.

Ms. Pinto: We actually have had discussions with the department of finance on this issue. It's very hard to give you a dollar figure because it is contraband cigarettes and it's hard to actually measure. What we do know is that this is one of the major issues of why we might not be raising taxes as fast as we would like to, and there is a perception that this is a widespread problem. In fact, perceptions from the department of finance, as well as from ourselves, are that very few people are accessing these cigarettes. It's just that it still remains a kind of barrier toward bigger tax raises here in Ontario. It's just hard to quantify because it is illegal to be selling it to people.

Mrs. Mitchell: Sure. I just wondered if you had an approximate number or a forecast.

Ms. Pinto: No. We're not sure.

Mrs. Mitchell: Just another quick question, too. You have here that Cancer Care Ontario launched a pilot

project to test recruitment methods and that it will be wrapped in 2006. Could you please expand on that for me so that I have a better understanding of what's going on?

Mr. Goodhand: Sure. We're trying to make sure that we get our message across that this wasn't a pilot study to determine if FOBT works. That's been proven beyond all doubt in enough jurisdictions over thousands of patients. The issue is the most effective way of recruiting people. Do you use physicians? Do you use public health units? The pilot study was undertaken by CCR—and we went through the channels—talking about how best to implement, as opposed to whether FOBT is a proven test that works. That's the status of that.

Mrs. Mitchell: So what you're looking at is how to get it out to the public in the most effective manner.

Mr. Goodhand: Yes. The other thing, just to show you the history of this, is that in 1999 there was an expert panel in Ontario that recommended FOBT be introduced on a population basis. Over the next several years, other expert panels, both nationally and in our own jurisdictions, kept saying, "You need to do it, you need to do it." So if we're not careful, we'll keep studying this. The estimate is that about 650 Ontarians will die each year, who, if we had implemented that in 1999, wouldn't be dying of colorectal cancer today.

Mrs. Mitchell: What's your sense—

The Chair: We'll move to the official opposition.

Mr. Barrett: Thank you, Mr. Goodhand, for the presentation from the Cancer Society.

I thought maybe you would mention this. The Cancer Society has been very successful with respect to Ontario's tobacco-growing industry. Last week, the tobacco farmers, through their Ontario tobacco board, made a decision. They are all going to quit. Were you aware of that? They have made this position known to the Ontario government.

I guess my question would be, the Canadian Cancer Society has worked with the Ontario government considerably in the past, and so will you continue to work with the Ontario government to sit down with the tobacco farmers, the manufacturers, of course, to ensure that every tobacco farmer in Ontario ceases growing tobacco?

They are in an untenable position, anyway. The stability is gone in the industry. In fact, much of the control of this government is now lost; I heard mention of native production. The profitability is gone. The input costs continue to rise. We've gone from 3,200 farmers to zero. I guess the situation is, there's a winner and a loser. They have lost. They admit defeat. They are done. They are now stuck with millions and millions of dollars of obsolete and worthless capital and equipment. These families need assistance. There were 300 tobacco farmers out on Highway 401 yesterday trying to communicate not only to the government but society at large.

So that's where we're at. I wasn't sure if you were aware of that. The tobacco farmers are done. They are out of business and they now request—and there is a positive indication from the Ontario Ministry of Agri-

culture—a forum to also include the Ministry of Health and the Ministry of Finance. I know you have certainly testified before to this finance committee. That's what's on the table right now. One side has won and one side has lost. It's over with.

Mr. Goodhand: I guess my first comment would be to say that we have been focused on tobacco for decades, and smoking, but we wouldn't celebrate loss of economic income for one Ontarian—

Interjection.

Mr. Goodhand: —and the tobacco farmers. To the extent the government, whether it's federal or provincial, can support people in transition from a crop that we were absolutely against—the crop and the way it was used—I would recommend that levels of government compensate people in any way to make a transition to different crops; we would be supportive of that.

Mr. Barrett: Certainly, a level of government has responsibility. The manufacturers, I feel, have a responsibility to assist as well.

Mr. Goodhand: Yes, although we don't have a lot of positive interaction with the manufacturers, so I wouldn't rely on us to—

Mr. Barrett: But you are talking about a lawsuit.

Mr. Goodhand: Yes.

The Chair: Thank you for your presentation this morning.

CANADIAN AUTOMOBILE ASSOCIATION

The Chair: I would call on the Canadian Automobile Association of Ontario to come forward, please.

Mr. Kris Barnier: Good morning.

The Chair: You have 10 minutes for your presentation. I think you've been in the room. You will have noted there will be a round of questioning by each party for up to three minutes. I'd ask you to identify yourself for the purposes of Hansard. You may begin.

Mr. Barnier: My name is Kris Barnier. I'm the provincial affairs specialist with the Canadian Automobile Association. I represent the three member clubs who make up CAA in Ontario, whose combined membership is about two million members in our province. With an organization as large as ours, we have a number of different concerns that our members care about, and we have some differing views, but one of the issues they seem very clear on is that they care about infrastructure spending, specifically road spending. That's the issue I'd like to focus on today.

To give both the federal government and the provincial government some credit, both levels of government have started to share gas tax revenues with municipalities, and that's a very positive first step. But our concern with these two funding formulas is that the provincial arrangement only helps certain municipalities, and it is only focused on transit. We believe there needs to be some type of provision to help rural communities and smaller communities and, quite frankly, even larger communities that need road spending. The same thing

with the federal government program: We think there need to be some revisions there.

What I'd like to do is talk a little bit about the scope of this problem, how big it is. We'd like to talk to you about some of the impacts that this problem is having on different issues that we in Ontario care about and a little bit about how the current deals work and how we'd like to see those deals change.

In terms of assessing the scope of the problem, it is really a very difficult thing to assess in the sense that there hasn't been a clear reporting mechanism in the past. What we do know is that Toronto is about \$300 million behind in its scheduled road maintenance. That's a real threat to our economy and our safety. The Council of Ministers responsible for Transportation has estimated that in Ontario, our cities—this is just cities, not our rural areas—are going to require an investment of about \$27.5 billion in our roads and bridges through 2013. The problem with that figure is, we believe that's probably a low accounting of how much the province really needs because it doesn't account for rural areas. There are even some provisions in the report that show that this may not be a fully accurate accounting in terms of ongoing maintenance costs. There are a number of problems with this actual figure, and it could be higher than that. The important message is that we need to act on this issue right away; otherwise the costs of dealing with this problem in the long run are going to spiral out of control.

1120

In terms of looking at the environmental impact of congestion, crowded roads and underfunding our roads, we know that a car stuck in bumper-to-bumper traffic emits nine to 10 times the pollution of a car travelling at optimum highway speeds. Certainly investing in transit is a very positive thing. If we can get people on to transit, that's great. The province recently opened a couple of HOV lanes, and we are working with the province to communicate to our members that this is a positive thing, and we will encourage them to carpool. But we need to remember that even though we're having people taking transit, 80% of transit, even in Toronto, operates on roads. Whether you're in a bus, a car or a streetcar, if those roads are congested, then they're not moving. Clearly, there needs to be an investment there to build lane capacity, to invest in technologies that will get our traffic moving again so that we can reduce emissions.

Another thing we have to remember is that auto manufacturers are getting the message. They're hearing from political organizations, politicians and everyday consumers who are saying, "Make your cars better. Make them cleaner." Through recent changes that we saw to Drive Clean, that's a recognition that cars are becoming more environmentally friendly. The government should work hard to encourage manufacturers to go down that road.

We also need to consider the safety impact of underfunding our roads. MTO estimates that collisions cost our economy \$9 billion a year, about \$300 million of that being health-care-related expenses. While we have one of

the best safety records in the world in terms of our highway safety, we still have hundreds of people dying each year on our highways and thousands of people being injured. Yes, speeding is a factor, bad driving is a factor and other factors that are behavioural lead to accidents. There seems to be growing recognition—and we think this is very important—that bad road design and underfunded roads are a factor that contributes to accidents as well. When you can't see the lines on the road because they're unpainted, when there isn't a safe shoulder to pull off on to or there isn't proper lighting, those are safety factors that put Ontarians at risk. That is another example of why we need to fund our roads at the municipal level.

In terms of the impact on our quality of life, we've even heard Minister Caplan acknowledge that, in the next 30 years, we could see an increase in our commute times by about 45% if we don't act to deal with this congestion problem immediately. I've talked to police officers who have made a point of saying that as people are stuck in worse and worse congestion, they get angry and frustrated. It's a real health concern, but it's also a concern as we see growing incidents of road rage—yet another reason why we should be investing in roads.

One of the biggest reasons we need to talk about is the economic impact that underfunding our roads has. There have been surveys where international business people have said that congestion in Ontario hurts your competitiveness and increases the cost of transporting goods. We know that if you're underfunding roads, and while it's great to invest in transit, if you're going to have buses out there that are driving through potholes on bad roads, you're going to be spending more money to fix those buses. You're going to have to replace tires faster, tie rods, ball joints and suspensions. It just makes sense to put that money into roads, so that you can reduce some of those fleet maintenance costs.

We know that Toronto paid about \$110,000 in 2003 for pothole repair claims from lawsuits. We've heard from a number of organizations, the Toronto Board of Trade and others, that congestion is estimated to cost our economy a minimum of \$2 billion a year and, based on that accident figure, about \$9 billion a year—again, all reasons why we need to invest in our roads and help municipalities.

In terms of the massive cost of deferring maintenance, MTO says that asphalt, if properly maintained, should last about 18 years. We've had our own Auditor General come out and say that if you're following a proper road maintenance schedule, you're going to spend about \$1,000 per lane kilometre over a 15-year period to repair that road, but if you're neglectful, if you continue to say, "This year we're going to put roads off because we have other priorities," and you keep on doing that, what happens is, that cost escalates. Eventually you're not just resurfacing; you have to dig up the road and rebuild it. You can go from \$1,000 to \$250,000 per lane kilometre if you're not following road maintenance schedules. For that reason, it is absolutely essential to get on with fixing this now. At some point, we're going to have to fix these

roads, and if we're doing it at \$250,000 per lane kilometre, we're not going to have money for health care, environment, education programs and the other things that Ontarians care about.

What are motorists telling us? We did a survey in 2004 and we found that three out of four Canadians believe that road spending should be Ottawa's number one infrastructure priority. We did a poll of our members out Niagara way, and they say that infrastructure is the number one priority, specifically road spending and resurfacing. We've done other polling. We've found that 96% support using a greater share of gas tax revenues for transportation initiatives; 74% oppose an increase in provincial gas taxes—and I'm going to get to that point very shortly, about how much we pay and how little value we're getting for our money; 73% have opposed the creation of a municipal gas tax. Our understanding is that that's not something under consideration in the City of Toronto Act. In terms of tolling, 80% oppose tolls on existing expressways.

When we talk about how much we're paying in Ontario, it's important to remember that Ontarians are paying about \$4 billion a year to the provincial government in gas taxes and licensing fees. According to the Canadian Taxpayers Federation, the province puts about \$1.5 billion of that back into our roads. When we talk about what the federal government collects, the federal government takes about \$2 billion a year and, notwithstanding their new deal investments, they're putting about 7% of that back into our roads in Ontario. Clearly, motorists just aren't getting a good deal here.

What we need to remember, and there seems to be a growing recognition of this, is that even though all the gas taxes are being paid to the senior levels of government, our municipalities are responsible for about 90% of the roads in this province. We're hearing from them in every region of the province saying, "Look, we need help. We're falling behind. It's absolutely great; yes, we welcome money for transit, we welcome money for sewers and water, but we need money for roads," because 74% of Canadians still drive their car to work every day.

When we take a look at Ottawa's new deal—

The Chair: You have about a minute left in your presentation.

Mr. Barnier: OK. I'll get right to what we're looking for. Essentially, what we're looking for is for the Ontario government to begin sharing another two cents of the gas tax with municipalities through 2008. That money should be specifically earmarked for roads and should be distributed on a population-based method, which we think is fair. In the long run, what has to happen is, we have to have the three levels of government come together to fully assess how much we need. There needs to be a clear reporting mechanism, and we need to have the three levels of government come together to form one gas tax-sharing program that will fully address all of the transportation needs of Ontarians.

The Chair: Thank you, and we'll begin this round of questioning with the government. Mr. McNeely.

Mr. Phil McNeely (Ottawa—Orléans): I'm a member of this organization, as I think many in this room are. But I'm a bit concerned with the way they're promoting the automobile with the driver as the only occupant. I don't see anything in here talking about better use of cars, smaller cars, carpooling, all those environmental issues or things we could do to unclog our roads. We've seen that Highway 401 has reached peak. The peak period is not peak morning and peak afternoon like it is in Ottawa; it's peak from 4:30 in the morning till 10:30 at night, so you've got very constant traffic on it. That's what it can handle, and so it goes throughout the whole day. We cannot solve our transportation issues with more cars and more roads. It's true; a lot of our public transit drives on the roads. In my own community, Orléans—I'm getting to the question—we have 30% bus ridership. In the next 20 years, we're going to go up to 40% bus ridership, peak afternoon hour. Even with that, there's a 60% increase in cars, so the whole thing is not sustainable. We cannot build enough roads for that.

1130

One of the things you said very well was that we have to protect the infrastructure we have; we have to protect the roads. I see there's one of the former general managers from the city of Ottawa—but he wasn't in transportation—in the room today. The city of Ottawa engineers would say, "You should spend \$25 million a year on asphalt resurfacing." The council would sit there and they would approve \$15 million, so there was a \$10-million shortfall. They got away with that for three or four years, but the potholes are coming. So I agree completely with you. We have to protect our own infrastructure. I think that part of your presentation was great.

I'll just ask you the question: What are you doing about making better use of the infrastructure we have? We can't afford new roads. What are you doing to get more people in the cars, getting people to carpool, getting people to work at home? What are you doing there?

Mr. Barnier: Thank you for your question. That is a great question. The HOV lane proposal: We've worked with MTO on that one, and they're preparing materials to share with us so that we can share those with our members. We will put that information on our Web site and in our retail outlets to inform members about how to use these HOV lanes. We're actually meeting with Smart Commute next week to talk to them about how we can start in-house to build a car pool program in our own head office, and to expand that program to our members. Absolutely, there are things that we can do.

We've been very active when gas prices were insane over the course of the summer. We went out and we shared tips with members on how they can reduce their emissions by doing things like properly maintaining their vehicles, by carpooling, by combining trips. We've been out there. We've been talking about this issue, and I assure you that climate change is one of our four national priorities, and there are a number of things we are working on to be active on that front.

As you say, clearly, we need to invest in our roads. As I said, if you have a car that's stuck in bumper-to-bumper traffic, it's emitting nine to 10 times the pollution. If you have a growth strategy that's focused on bringing another million, two million or three million people into urban areas, a lot of those people are going to be driving cars. You're never going to get everybody out of their cars, so you have to have a little bit from column A and a little bit from column B.

Mr. McNeely: Mr. Chair, I'd just like to make one point that the \$2.5 billion—

The Chair: Thank you. Your time has expired. We're going to move to Mr. Hudak, the official opposition.

Mr. Hudak: Mr. Barnier, thank you very much for the presentation. You're absolutely right: Any wise government needs a balanced approach between investing in transit and investing in highways if we want to ensure Ontario's continued economic competitiveness, its ability to create jobs and to move people safely and efficiently. You also need to invest in expanding existing highways and new highways. Unfortunately, we've seen Dalton McGuinty and Minister Takhar fall asleep behind the wheel when it comes to new highways. The mid-peninsula corridor, for one, has become a road to nowhere. The 407 extension, 427, 404 north—all of these projects seem to have gone nowhere.

You make an excellent point about the EPA study that says that cars idling in traffic increase their emissions by a factor of nine, I think it was. What does the CAA see as its major projects for highway investments to relieve congestion and therefore reduce emissions that are coming from the current gridlock situation?

Mr. Barnier: Certainly, that mid-pen is a very important one for us and we would like to see that proceed. If we can reduce congestion in that area—fantastic, great. You also mention the 407 extension. That's important for us; we think that should happen. There are going to be a number of other projects around the province. We know there's Highway 26 out there, and that one has been stopped or delayed. Hopefully something will happen and that one will pick up again.

The key thing is we absolutely need to build additional capacity. When we look at places like Toronto that's \$300 million behind in its existing road infrastructure, we need to fix what we have. That's one of the biggest problems, certainly when we look at the Gardiner—about \$90 million worth of work that needs to be done there, or more. We have to look at new capacity, but we also have to fix what we have.

Mr. Hudak: You make a strong point too in terms of the level of taxation and fees that Ontario and Canadian drivers are already paying. You express some relief that there won't be a gas tax as part of the city of Toronto legislation. Howard Moscoe, one of the councillors in the city of Toronto, has sort of been rubbing his hands at the notion of increasing a fee or a new tax on registration of vehicles in the city of Toronto. Does the CAA have concerns about other fees and taxes that might be imposed on drivers?

Mr. Barnier: Yes, we absolutely do, and we've shared some of those concerns with the government. We don't want to see this. We recognize that it is important for the city of Toronto to have some new powers, but voters are taxed enough. We're way overtaxed and we're not getting value for the money we're paying.

If the City of Toronto Act is going to be about a series of tax increases on drivers, then we have a real problem with that. We think we're paying enough. If something like tolls were put in, we have a real concern that that would be a safety issue, and if you're going to put tolls on highways, it's another tax on motorists. All you're going to do is congest some of the local arterial roads, and that's a danger. You're putting more cars where pedestrians are, and frankly you're putting more smog in areas where people live.

The Chair: Thank you. We'll move to the NDP.

Mr. Prue: I do like your gas tax facts. I think they say a great deal about what taxpayers pay. It's no wonder there's a bit of a taxpayer revolt, at least around this, if you're paying taxes for roads and infrastructure and you're not getting value.

Would you suggest that these taxes should be dedicated? Governments don't like to dedicate taxes. I do. I think that's the best way to explain it to people: "We're collecting this for roads," and then spend it on roads, or, "We're raising your income tax by 1%, and it's for police," and then spend it on police, so that people will understand. Would you want gas taxes to be dedicated?

Mr. Barnier: I think that was the original intent of the gas taxes. We need to head more in that direction. When we look at some of the spending that has been going on, it's a gas tax that goes into everything but roads. We've seen that municipalities are being absolutely burdened with the cost of road repair when motorists are paying to the two senior orders of government.

Certainly, at bare minimum, what we'd like to see is a move in the direction where we see a greater percentage of our gas tax dollars put into the roads we drive on.

Mr. Prue: I have another bugaboo on the other side—on this side, I'm probably with you. What about taxing people who own multiple vehicles? I know people who have four and five cars. There are more cars in Ontario than there are people.

Mr. Barnier: But when people bought those two cars, they paid the taxes to buy them. They pay the licensing fees for each of those cars, and the gas tax every time they fill up either of those cars. We think they're paying quite enough.

Mr. Prue: But the reality is that there are more cars in Ontario than there are people. Everybody has one car or more. That boggles my mind in terms of the pollution and in terms of the costs of repairing roads and bridges and all that. We're a very car-dependent society. Shouldn't we be trying to convince people that one car per person or per family is sufficient, or should we continue to allow people to own multiple vehicles?

Mr. Barnier: When we talk about encouraging people to take forms of transit, absolutely, that's something

that's positive. We can encourage people to carpool; that's a positive message. But we need to be realistic in terms of the different needs of families when we have a situation where, let's say, you have a family in Oakville, and you have one spouse who works in Mississauga and another spouse who works in Toronto, but they've chosen to live in Oakville because it's affordable. That's the reality for a lot of families, and you need to be realistic about what families need.

Maybe some families don't need two or three cars; you might have a point there. But certainly, people are taxed enough. What we should be doing, rather than looking at constantly trying to find ways to punish people, is looking at ways to reward people who are carpooling.

The Chair: Thank you for your presentation this morning.

1140

ONTARIO CAMPAIGN 2000

The Chair: I would call on Ontario Campaign 2000 to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning divided amongst the three parties. I would ask you to identify yourselves for the purposes of Hansard.

Ms. Jacquie Maund: Good morning. My name is Jacquie Maund. I'm the coordinator of Ontario Campaign 2000.

Mr. Dick Stewart: My name is Dick Stewart. Sometimes, though, it's Richard Stewart. I'm the president of Community Development Halton. Community Development Halton is a member of Campaign 2000.

Ms. Maund: Just a quick word on Campaign 2000. Ontario Campaign 2000 has 50 partners across the province. We're a coalition of organizations committed to supporting and, hopefully, seeing the end of child poverty in Canada. Our name dates from the 1989 resolution to end child poverty in Canada by the year 2000. For example, our members include both provincial organizations, such as the Elementary Teachers' Federation of Ontario, and local groups, some of which are in your ridings. The Durham child poverty action network, the Hamilton social planning council, the child poverty action group in Ottawa and Elgin-St. Thomas Health Unit are some examples of our coalition members.

We will start our presentation with some of the latest numbers on child poverty in Ontario. A written copy of our presentation will be provided to you next week.

Mr. Stewart: Let me give you some current, most recent data on child poverty in Ontario, and it's not a pretty picture. Child poverty continues to be at a stubbornly high rate in Ontario, at 16% of all children. That means one in six, or 443,000, children are living in poverty as defined by the post-tax LICO. As I said, this is a stubbornly resistant rate to change. In spite of a robust economy in the last four or five years, it remains at 15% or 16%. What is emerging as a relatively new and grow-

ing trend is that increasing numbers of these children are living in families where at least one, and sometimes both, of the parents are working full-time in the labour force, and yet they remain below the poverty line, living in that circumstance. Clearly, there is growing evidence that economic growth leading to jobs is not a pathway out of poverty. Other strategies and structures have to be put in place to help these families and their children.

Campaign 2000 urges the government of Ontario to consider some significant and critical investments in its budget to begin to ratchet down these numbers. Specifically, we're going to talk about social investments and labour market investments. I'm going to start by speaking about some social investments.

Included in that would be increases to social assistance and ODSP rates, and taking some steps to add the clawback of the national child benefit supplement. I want to remind members of the government that this government has made promises that they would implement cost-of-living adjustments to families on welfare and ODSP—I'll speak to that a little more in a moment—and they also promised, in the last campaign, to stop the clawback of the national child benefit supplement.

Recently, the parliamentary assistant, Deb Matthews, indicated in her reports that inadequate social assistance rates are actually a barrier to people leaving social assistance and moving on to employment. She also recommended that steps be taken now to begin to end this clawback.

We want to acknowledge that the government did increase social assistance and ODSP rates by 3% in 2004. Unfortunately, those have been consumed by the inflationary factors subsequent to that adjustment.

A person who worked in the bowels of Comsoc for years and years, an economist named John Stapleton, has indicated in his work that, in point of fact, social assistance recipients today are working with a 1965 dollar in terms of its purchasing power. In effect, they've had 40 years of virtually no increases because of inflation and other cutbacks.

Specifically, Campaign 2000 is asking this government to consider increases in social assistance and ODSP rates to make them more adequate. One guideline would be that you should look at the CMHC average rents across the province and focus the shelter component of the allowance to more accurately reflect that.

Secondly, we want the government to consider indexing these rates, as the federal government does with seniors' and disability rates.

In a former life, I was the commissioner of social services in the region of Ottawa-Carleton, and laterly, the general manager of people services in the new amalgamated city. I want to say to you, in all sincerity, that there was not a more repugnant public policy that I had to implement than the clawback of the national child benefit supplement from the poorest of poor families. As a professional in this field, it was also the most misguided public policy, I believe.

We're urging the government to take steps now to end this clawback. Acknowledging that the government has not clawed back the two most recent increases, we're asking you to take the next steps now to introduce the end of the clawback and return that \$1,500 per year per child to those families that need it. Other provinces have done this and shown the leadership, and I'm sure Ontario can find a way to do that. It's been estimated by the Daily Bread Food Bank in the GTA that if this happened, 13,500 children would almost immediately not require food bank services. This impact would be instant and profound.

Ms. Maund: We've talked a little bit about social investments in terms of the social support system that families need to move out of poverty. I'm going to talk about some other social investments that are part of those pathways out of poverty, because there is no single answer.

I'd like to talk about affordable housing. Many of you will remember that in 2001, the federal-provincial affordable housing agreement was signed with Ontario. There were promises at that time to create 46,332 new homes in Ontario. During the election, the Liberal Party promised to match federal support and create 26,600 new housing units. However, audited statements from the Ministry of Municipal Affairs and Housing indicate that only 63 units have actually been built since 2001. The promise was 46,332; audited statements show that 63 units were actually built. Our understanding is that a key part of the logjam is the Ontario government's reluctance to commit matching funds to the federal dollars. The 2004 budget committed only \$30 million, so at this rate it will take 20 years just to meet the commitments of that 2001 housing agreement. A whole generation of children will have grown up into adulthood while this system was trying to meet the commitments of that agreement.

Affordable housing is an urgent need for low-income families. There are over 150,000 families on the waiting list for social housing alone across Ontario. There's been a net loss of rental housing over the past 10 years in 21 major urban centres across the province. So our fourth recommendation is to both increase the amount of provincial funding around the supply of affordable housing and rental assistance and, secondly, to please speed up the slow government process of turning funding commitments into actual bricks and mortar for the families that are waiting.

I'd also like to speak about child care. Access to quality, affordable early learning and child care is a key pathway out of poverty for families. Campaign 2000 was very pleased to see Ontario's leadership in terms of signing on early to the federal-provincial child care agreement to set up a national system. However, Ontario's Best Start program is geared only at children from birth to age six and will take about 10 years to roll out.

During the election, the Liberal Party promised to commit \$300 million of new provincial dollars for early learning and child care. Our recommendation number five is to keep that election promise to spend \$300

million on child care spaces. This could help address the child care needs of school age children, both before and after school.

We've talked about social investments in the social support system, in housing and in child care. I'd now like to end by talking a little bit about the labour market. As we've heard, 33%—that is, one third—of all low-income children in Ontario are in families where at least one parent works full time, full year. So clearly, getting a job alone is not necessarily a pathway out of poverty.

Campaign 2000 was pleased with the increases to the minimum wage announced by the Liberal government when it took power, but even those minimum wages are not enough to lift a family to the poverty line. Specifically, if you take a family with a single parent and a child living in a major city, if that parent works full time at the current wage, she would earn \$13,600 a year. That amount is 54% of the low-income cut-off line for a major urban centre. So recommendation six is to increase the provincial minimum wage to \$10 an hour and index it to inflation. This would bring a single working person up to the poverty line, and there would be no cost to the treasury.

The Chair: You have about a minute left for your presentation.

Ms. Maund: Just to conclude, I also want to highlight a recent study done by Canadian Policy Research Networks called *Lifting the Boats: Policies to Make Work Pay*, which also supports a number of these policy recommendations. It looked specifically at the minimum wage; it supported an increase to the minimum wage. It reviewed both international and Canadian experience, and found that if the minimum wage were continued to be increased in stages, the risks of negative employment impact—that is, loss of employment because of the increased minimum wage—are actually few.

So we'll leave it at that, and we welcome your questions.

1150

The Chair: We'll begin this round of questioning with the official opposition.

Mr. Hudak: I thank Campaign 2000 for their presentation. In my opening comments, I talked about some concerns about the underlying state of the economy, the fact that Ontario is falling increasingly behind other provinces in our economic performance. It's a worrisome trend, and we've seen, I think, some 50,000 manufacturing jobs lost in this province.

There seems to be an impact, as well, on the welfare rolls. The Ministry of Community and Social Services shows, I think, that there's been a 10% increase in the number of single employable people who are now on social assistance from the time that the McGuinty government came into office. Are you seeing a similar increase in demand for services in the communities that you come from?

Mr. Stewart: Speaking for the community in which I live now, which is Halton region, and being a community activist, yes, the message is that people are streaming to

community support services and food banks, etc. I'm not au courant with the demand for social assistance any more; I've left that business, so to speak, and I'm now a community activist. To your point, Mr. Hudak, yes, there is, and it's not just people on social assistance who are seeking that; it is folks who are working. In fact, that's the increasing crowd. New immigrants and people who are working are the people who are showing up and looking for those emergency services.

Mr. Hudak: Another major concern that I brought up and I'm sure the committee will hear a lot about is the increase in energy prices and the upcoming increase in home heating costs, whatever your source of heating supply is. The federal government, I understand, is looking at a program to offer relief to low-income families for their heating bills. Would you suggest some form of assistance, as well, for families, given the spike that we expect to see in energy and home heating costs?

Mr. Stewart: Far be it for me to resist new money to the poorest of families under any form, so I would say yes, but it wouldn't be my first preference. I think the first preference would be to look at the rates with respect to accommodation, the shelter component of the allowance, and do something with that and do it permanently.

We're going to see higher energy costs continue. It's not a spike. It's here for some time, if not forever. The cost of accommodation, including heating, is really the bigger issue.

Mr. Hudak: Is there any advice, in a general sense, in terms of helping people move from social assistance into the workforce? Sometimes they'll face a high marginal tax rate, or some of the benefits that they receive from social assistance discourage them, I guess, because sometimes they'll have to take a job without benefits. Are there any particular incentives or support mechanisms the government could come forward with to help families make that transition?

Mr. Stewart: In fact, I want to compliment the government, that they've taken some of those steps—at least the preliminary steps—by extending benefits to people who need social assistance for at least six months in terms of health benefits, etc.

The critical issue remains the capacity of people to sustain themselves in the labour force, for two reasons: First, they don't have good solid skills that the labour market demands. So they might get an entry-level job or a job that's short-term, but when that job ends, they don't have the capacity to be sustained in the labour force. So we need a much better skill training system in Ontario, and the new labour market agreement, we are hopeful, will produce that, but we have to watch that carefully.

The second issue is the wage. It's not a living wage that a lot of people are living with who are working full-time. The market basket measurement of poverty in this country would indicate that for an urban area like the GTA, a family of four members would have to earn net, after all deductions, between \$15 and \$16 an hour, based on 40 hours a week, 50 weeks a year, of work, to actually fill that market basket. This is not a market basket that's

filled with luxury items; this is basic living: not owning a car, using public transit—to speak to the last presenter—and a variety of other simple things that we all take for granted. Many people working above the minimum wage are a long way from that \$15 to \$16 an hour net. That's the reality in Ontario. That's why people are streaming to emergency support services in a variety of things; that's what gets people down. When they leave welfare and go into a job, it's tough to make those ends meet. The cost of going to work usually gobbles them up.

The Chair: Thank you. We'll move now to Mr. Prue of the NDP.

Mr. Prue: I've heard your statistics before. I've used them in my speeches so many times in the House. They seem to have fallen on deaf ears so far, but I thank you for your compassionate analysis today. I hope you're listened to more than I am.

A couple of questions. Most poor people rent; very few of them own property. The current legislation that governs tenants, the Tenant Protection Act, allows for above-guideline increases. We're starting to see an awful lot of owners of these buildings applying for above-guideline increases for heating costs; that's no surprise. What should we be doing other than abolishing that act, which the government seems pretty reluctant to do?

Mr. Stewart: I'll speak, and then perhaps Jacquie will want to chime in.

In the short term, I think people have to have the capacity to pay those increased rents. That needs to be reflected either in a special program to deal with the energy cost issue, or our preference would be an ongoing increase in the shelter component of the rate.

In the longer term, which I actually spoke to a moment ago, affordable housing is where we need to be in this province. Housing—and I want to repeat this—safe, affordable housing that is stable, is an underpinning, a foundational piece for children to grow up successfully and be taxpayers. It's about our prosperity. Frankly, we need to invest in affordable housing in the long term to deal with what you're raising, Mr. Prue.

Mr. Prue: The government, when I've asked the question about the clawback—I think I've asked eight or 10 times in the Legislature in the last two years—seems to think that passing on the 3% increase is something great. That's about \$13 million. How much is the government clawing back—I know it's \$1,500 a person. My estimation is \$200-plus million.

Mr. Stewart: Yes. It's \$218 million.

Ms. Maund: That's \$218 million that is being used to fund other children's programs. It's being funded by the poorest of the poor.

Mr. Prue: To fund middle-class programs, mostly. Would that be fair? I mean, they're good programs.

Ms. Maund: And the Ontario benefit—there's a chunk of supplement program in there as well; that's the bulk of it.

Mr. Prue: This is taken from people who probably don't pay much income tax. Would that be fair to say?

Mr. Stewart: Yes.

Mr. Prue: So it's an alternate form of taxation. You can't tax them, so you use something else.

Mr. Stewart: Yes, one could use that argument.

Mr. Prue: Have you had any discussions—I've asked so many times—with the minister or the minister's staff about this budget? I've suggested that they do it and find \$218 million somewhere else, even if they have to increase the tax to do it.

Mr. Stewart: That discussion has happened for a number of years with a succession of ministers. I, personally, haven't had this discussion with the current minister, but Campaign 2000 certainly has. It is about political priority at the end of the day; we recognize that. What we're here to do today is to impress upon this committee the importance of this issue for the children of Ontario. I don't want to get too maudlin about this, but we are depriving the poorest of poor children of something which will dictate their success in future life.

The Chair: Thank you. We'll move to the government.

Mr. Arthurs: I'll just take one minute, and then I'll provide the rest of them to Mr. Wilkinson.

I appreciate your comments earlier on the specificity of some of the issues that have been raised by the other members around the child tax benefit, the clawback and your comments around the repugnancy of that particular public policy. Mr. Prue raises it very consistently in the legislative chamber, and a little bit falls on deaf ears in the context of an acknowledgement or recognition. How that pans out is another story.

I want to take another minute or so, because I've had folks in my office on a fairly regular and recent basis talking about housing. Your final comments about stable and affordable and safe as the underpinning for the success of things in the future: If you would—you have a minute or so—I'd like you to expand on that a bit and the importance of it to the future of the province.

Mr. Stewart: One of the best ways I could do that would be to cite the data that's flowing from the national longitudinal study of children and youth, which was done by the federal government. This study is now indicating that children under the age of six who have three or more unsupported moves, and by that I mean they're living in a situation where their parents have been evicted, they've had to leave because they had to go down to a cheaper place to live—and "unsupported": What I mean by that is that the parents are also in turmoil about this and unable to support the children. This is quite frequent in this province, given the legislation that Mr. Prue has cited. Three or more of those make permanent damage to a child's cognitive ability. We're not talking about remedial work making this better. We're talking about permanent damage. It shows up in their capacity to do well in school and to develop relationships. Therefore, these children consume an inordinate amount of the services of school boards around special ed etc. You know the story.

This is not my dreaming. This is not my left-wing social work diatribe. This is empirical evidence from

national longitudinal work. That's probably the best way I can describe what's happening.

Mr. Arthurs: Thank you. I wanted that on the record, Mr. Chairman, so thank you very much.

The Chair: We have about three and a half minutes before we must go and vote, for those members who choose to do so.

What's the will of the committee: that we recess and come back?

Mr. Wilkinson: Or I could be brief.

The Chair: If you can be very brief with the question and the answer.

Mr. Wilkinson: First of all, thank you so much for coming in and speaking for many people who are voiceless in our community. If there was one recommendation to give to the minister in this budget in regard to how to address the imbalance for those who are the most vulnerable—recognizing that we can't do everything and we can't do everything overnight. If there's one thing that would have the greatest cost-benefit—because you're saying the child clawback, \$218 million, but then we're paying a cost for doing that in all the other social services—which is the thing that you think would have the greatest impact?

Mr. Stewart: We strongly believe that if the government's going to do one thing, remove the clawback and do it as fast as possible.

The Chair: Thank you. This committee is recessed until 3:50 p.m. this afternoon.

The committee recessed from 1202 to 1549.

CANADIAN CHEMICAL PRODUCERS' ASSOCIATION

The Chair: The standing committee on finance and economic affairs will come to order. We have our first presentation of the afternoon before us. You have 10 minutes for your presentation. There may be up to approximately three minutes of questioning from each party after that. I would ask you to state your names for the purposes of our recording Hansard. You may begin.

Mr. David Podruzny: David Podruzny, Canadian Chemical Producers' Association.

Mr. Norm Huebel: Norm Huebel of Canadian Chemical Producers' Association.

Mr. Podruzny: Thank you for the opportunity to appear before you this afternoon. I'm here representing industrial chemical producers who feed into a larger manufacturing sector that represents about 22% of the Canadian economy. The basic chemical industry in Canada is \$24 billion in shipments. It's part of a larger chemical sector that's over \$47 billion in size. Half of that industry is located here in Ontario.

The contribution doesn't end there. It's a keystone industry. It provides many essential inputs to products ranging from auto parts and textiles to plastics, foods and pharmaceuticals. For example, 25% of a car today is made up of chemicals and chemistry.

What's key is that Canada's chemical producers are engaged in value-added manufacturing. We take natural gas or oil and add anywhere from 10 to 50 times the value of that product, so instead of burning it, we convert it into products that you see around you. Some of them are illustrated on the second page of our presentation. When we talk about using really old vegetation, of course that's the oil and gas that's really old. This activity translates into high-paying jobs. The average salary for industrial chemicals is \$60,000 a year. That's about the second-highest of the manufacturing sector in the province.

A lot of this wealth is based on past investments. As we look out, there aren't any new investments planned in Ontario. What we're hearing more and more is about plant closures. We believe that the province that prides itself on being the manufacturing heartland and driver of the Canadian economy is falling behind. Recent Conference Board figures indicate that business confidence in Ontario has fallen below that of Nova Scotia, Alberta and British Columbia. This shouldn't be happening. We're at the top of the business cycle, and Ontario has a lot of positives going for it. It's our job as industry leaders, it's your job as elected officials, to understand why this is happening and to do the right thing about it.

Some are going to point at the natural forces of globalization. We would argue that the bulk of the natural selection in that direction in manufacturing that needed to take place as a result of globalization has already taken place. The most skilled, labour-intensive jobs have already moved offshore. What remains is high-skilled, capital-intensive manufacturing that takes advantage of Ontario's highly skilled workforce, that takes advantage of access to the US market and positive R&D environment.

Canada's chemical sector has the highest level of university graduates of any manufacturing sector in the economy. However, the base is at risk. It's being eroded and marginalized as key issues, such as access to competitive energy sources, are not being addressed. Fiscal policies are not designed to be competitive with other jurisdictions to attract new investments that encourage innovation and specialization. Our companies can compete and do compete globally, but we can't do it alone. Governments who control all of our inputs need to adapt as well and ensure a favourable business and efficient regulatory environment that will allow us to be the best.

Given the limitation today, I'm just going to emphasize two points: energy and corporate tax. I think these two areas are going to tell a story of neglect in the basic fundamentals that are critical to a productive economy that attracts investment and creates jobs. Ontario's current energy policy appears to be driven by environmental policy. Let me be clear: Environmental performance must continuously improve, and that will be achieved through advances in new technologies and investments in new technologies.

The issues of adequate security of supply, cost and competitiveness haven't been a strong part of our energy policy to date. We have to ask why, given that Ontario's manufacturing base was built largely on access to competitive energy sources. The decision to close the coal-fired plants and encourage higher-cost natural gas-fired plants has delivered really a double blow to the chemical producers. Natural gas is our feedstock. It's what we use to convert into value-added products, whether it's plastic bags or kayaks. Energy costs are up as a result of movement to using more natural gas, and so are the costs of our primary input. Most of the chemical production in Ontario is derived from natural gas and oil. We take ethane liquids out of natural gas and convert it into things you see around you every day. In simple terms, the high demand for natural gas is making it difficult to obtain these liquids for upgrading. Ontario's current energy policy is making a bad situation worse. Investors see this and act accordingly.

Cogeneration: There are a number of things that could be positives. A sustainable development approach would probably not include the burning of valuable natural resources in lieu of upgrading. Cogeneration is an opportunity that's not being maximized, and curiously it's being discouraged in this province. A member recently closed a cogen plant, and we have other members who are also looking at closing. That's ironic, when the power grid is unstable and in need of additional sources of power. There are two parts to that power: There's the reliability of the grid and there's the actual amount of electricity. The fragility of grid reliability was highlighted this summer when it was stretched to the limit.

The second part I want to emphasize is the tax side. A recent C.D. Howe Institute study ranked Canada as second only to China in terms of having the highest marginal effective tax rate, and in Canada, they ranked Ontario the second-highest. The marginal effective tax rate is a useful measure because it looks at the effect of taxes on capital, and taxing capital does not motivate investment. Most jurisdictions have moved away from direct capital tax, and we thought Ontario's decision to eliminate its capital tax was a good one. But it really begs the question, why wait? There's been analysis done that suggests that getting rid of this tax is a net positive for fiscal flow. We would submit that elimination of the capital tax out to 2012 is too long a time frame to impact on investment decisions. We're at the top of the business cycle. We should be making investment decisions for Ontario today.

We believe there are three areas where Ontario needs to focus; the immediate elimination of the capital tax would be one. A second, and perhaps most urgently, would be to take another look at corporate income tax rates. Ontario jobs are moving because of this very visible comparator. We're not competitive; the current rate is simply not competitive. We have been recommending going back to the 8% rate. Then, finally, we would suggest that, in concert with the federal government, there should be some consideration given to

targeted measures such as accelerated capital cost allowance to encourage new machinery and equipment that would improve energy efficiency, provide additional choices like cogeneration and improve productivity.

To use an auto analogy, we would be hitting on all cylinders. You've addressed education and health, you're addressing infrastructure and labour supply, and now is the time to address manufacturing fundamentals.

The Chair: Any other comments? Thank you very much. We'll begin this round of questioning with the NDP.

Mr. Prue: We've had a number of debates in the Legislature over the last few days, and also with you coming here today, again, with the manufacturing sector being particularly dented. I asked the minister this morning for some facts; he gave them to me, but I wasn't able to write them down. Some months, there have been as many as 16,000 job losses in this province. Approximately how many jobs have been lost in the chemical sector? What we're hearing—I have a whole list—is that it's mostly manufacturing, that it's particularly hard in the forestry industry. That's what we're seeing.

Mr. Podrutzny: The numbers aren't large. Ours is a very capital-intensive industry, but there have been two closures this year, both in the electrochemical industry. I believe there was a third closure; there was one last year. So combined, we're maybe looking at 100, 150 jobs. What's happened, and it's a bit like the canary in the mine, is that the jobs that closed were the electrochemical plants. Something like 70% of their raw material, if you like, is electricity. One was in northern Ontario, in Thunder Bay, and the other was in Amherstburg—so different places, but it was electricity that was the end for those plants. There are no electrochemical plants left in Ontario now.

1600

Mr. Huebel: The issue is not just current costs of electricity; it was the assumption of where costs were going, primarily because of coal closures and increased costs.

Mr. Prue: So it wasn't just that the costs have gone up two or three times in the last couple of years; it was that people are looking down the road—

Mr. Huebel: It's the expectation of where they're going.

Mr. Prue: —and the expectation.

Mr. Podrutzny: It's the investment environment.

Mr. Prue: Are investors and people like you looking at the costs or the potential costs of nuclear, because that was all the discussion this week? That's scaring you away from Ontario?

Mr. Podrutzny: Nuclear will probably come in at, I believe we are hearing, six cents for the power alone. Some of the clean coal and the new technologies that are available will come in at six cents. Those kinds of prices would compare to natural gas, which will come in at about 15 cents. These things get watered down against the existing baseload, which is maybe running at three

cents. Eventually, the prospects are for much higher rates than exist today, and it's that prospect.

In some of these companies, the electrochemical companies operated on what we used to call reserve power, the power that you keep in reserve because, if a coal plant or a nuclear plant shuts down, you need to have spare capacity. These plants could operate on spare power and shut down when there was high demand. They were the ideal kind of company to deal with demand-side management, and they're gone.

The Chair: Thank you. We'll move to the government. Mr. Wilkinson?

Mr. Wilkinson: Thank you for coming in. Just taking a look at some of the things here. Explain to me—you've come in and said, "Listen, you're running a deficit. You inherited something like \$5.6 billion." It looks to me that we may come in around 1.4 to 1.6 this year, so that's around \$4 billion off in two years, but this is too large. We're using forecasts that are consensus minus a quarter, but that is too optimistic; I see that you're telling me that. We've got a situation where we had revenues going up at 6% before and spending going up at 22%, so we tried to curtail that and actually raise revenue; but this isn't sufficient.

This money that you want, in other words, "Get my taxes down," is—your recommendation is that we take it from where? We're all business people, and it has to come from somewhere. I'd be interested in what your recommendation is as to exactly where we should be taking it from.

Mr. Podrutzny: I think the record has been good and I think that you're right. We were suggesting that it is optimistic because there are several factors that are perhaps mitigated: the perfect storm of a high dollar, competition from China, very high energy prices. In a manufacturing environment, those are difficult conditions in which to have much optimism.

I guess you have to philosophically decide whether having a competitive environment and encouraging new investments doesn't, in the net, end up not costing, but paying for itself. We firmly believe that we need new investments to keep the young well-educated that we're getting from our schools today. We don't see it as a win-lose or as an exchange; we see it as a net growth and encouraging more manufacturing.

Mr. Wilkinson: We have to raise the money to do that, which is what we're doing, obviously, to give us a competitive advantage.

The high dollar, I know, is a concern for many manufacturers, but you're very capital-intensive, and I know you made the observation that the capital tax should be eliminated sooner. Now, is the high dollar an advantage to you when you're buying new equipment and machinery from outside of Canada, or do you source it all here in Ontario?

Mr. Podrutzny: Most of it is sourced outside of Canada—probably in excess of 60%.

Mr. Wilkinson: That's cheaper today than it was the last number of years.

Mr. Podruzny: That's correct.

Mr. Wilkinson: Do you find the industry is making those investments, given the fact their dollar goes further?

Mr. Podruzny: There are some investments going on I can relate to. One of our companies is currently in the process of investing \$250 million in the Sarnia area, in Corunna. It's a significant investment. It's aimed at improving its environmental efficiencies. It's specifically its greenhouse gas emissions efficiencies. The investments are taking place. The problem is that the return on investments—they can do better elsewhere. Putting in a new facility, building a brand new facility or incremental production, is where, in that beauty contest, we're coming in second, and you have to be a clear winner, especially when it's someone else's money that is being invested. Direct foreign investment's going down.

The Chair: We'll move to the official opposition.

Mr. Hudak: Gentlemen, thanks for the presentation. It's good to see you travelling, particularly on a day like today.

You talked about wanting to see better control of spending and lower taxes. The reality is, spending has actually gone up since the 2002-03 budget by some \$15 billion. They are awash in money. I'm surprised, with the increased taxes, it hasn't spilled into the hallways here in the Legislative Assembly.

Interjection.

Mr. Hudak: Well, we should start sniffing around, because it's got to be somewhere, with these big tax increases.

David had used the term "clean coal." Dalton McGuinty says there's no such thing as clean coal. Is the Premier a little confused?

Mr. Wilkinson: Can you define "clean coal"?

The Chair: Order, please. The question has been asked.

Mr. Podruzny: Let me use a different term and apologize. I will talk about cleaner coal, because "clean coal" might suggest to someone that there are no emissions, and I don't think you get that anywhere. There is cleaner coal technology that can address the level of emissions that you get from combined cycle gas turbine, so you can get that far down with existing technologies. You can't with CO₂, so you would have to have some way of dealing with your carbon dioxide emissions, either through sequestration or through other capture. Some of our companies are capturing CO₂ and selling it to the bottling companies. So there are things you can do. Others of our members are capturing it and selling it to the fertilizer industry, which also uses it in manufacturing fertilizers. Cleaner coal is available. The term "clean coal" is referring to where they produce gases through a special high-temperature process.

Mr. Hudak: The finance minister says that anybody who uses coal or clean coal is a Neanderthal, so surely the rest of the world must be scrapping coal and getting out of that business altogether.

Mr. Podruzny: Unfortunately, it's quite the contrary. As a matter of fact, Canada federally and some other provinces are spending a lot of money to research into cleaner coal. It represents 80% of the hydrocarbon reserves of this continent. It's hard to imagine that it won't be part of a future energy strategy for at least the United States and Mexico. But we are researching clean coal and spending a lot of taxpayers' money on clean coal research in other parts of Canada.

Mr. Hudak: The finance minister also says that Ontario's corporate tax rates are very competitive; in fact, we're lower than most other jurisdictions. You point out that the C. D. Howe Institute says quite the opposite, that the finance minister doesn't know what he's talking about or that he's not exactly giving all of the facts. In fact, Saskatchewan, which is the only one where the C. D. Howe Institute says the tax rate is higher, has actually published a paper on reducing their capital tax as well. So Ontario, effectively, is going to have the highest corporate taxes in our competing jurisdictions.

Mr. Podruzny: It comes down to whether you're looking at posted rates or marginal effective tax rates. If you just add up the posted rates of the province plus the federal and compare it to a state plus the federal, the numbers indicate that Ontario's better than Texas. Unfortunately, there's a whole bunch of things like capital cost allowance, which is twice as high in Texas. They don't have capital tax. There's flow-through on expenses during construction phase and so on, which we don't have in Ontario. The consequence is that the marginal effective tax rate's higher. It's voodoo magic with numbers, but the bottom line is that the investor is looking at this and saying what Ontario doesn't have, and they vote with their feet.

Mr. Huebel: We actually have a tax model that we share with the government that really indicates those numbers.

Mr. Hudak: It indicates—I'm sorry?

Mr. Huebel: The numbers David has talked about, what the flow-throughs look like and what the next result is. So it's a very complex tax model that is actually shared with the Ministry of Finance.

The Chair: Thank you for your presentation.

1610

TAKE OUR SENIORS OFF WELFARE CAMPAIGN

The Chair: I would call on Take Our Seniors Off Welfare Campaign to please come forward.

Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning, divided by the three parties. If you would state your names for the purposes of our recording Hansard. You may begin.

Ms. Naomi Berlyne: I'm Naomi Berlyne.

Ms. Helle Hulgaard: I'm Helle Hulgaard.

Ms. Berlyne: We are representing today a coalition of several groups who've come together for a common

cause, and we are calling ourselves the Take Our Seniors Off Welfare Campaign. What we're referring to are the approximately 7,000 individuals in Ontario between the ages of 60 and 64 who are on welfare.

I'm going to start by just giving a little bit of background to how this campaign came about. I am a front-line worker. I work with low-income seniors aged 55-plus. All of my clients are extremely low-income, and about half are homeless. All of them are on fixed income. They're either on old age security and CPP if they're over 65, or on social assistance if they're under 65.

In my front-line experience, I've found that those seniors who are the poorest and most vulnerable are those who are just under 65. In other words, they're too young to qualify for old age security, but often too old to be able to find work. I found a common trend among many of my clients who are in their early 60s or late 50s in that many of them have worked for many years, often decades, and they find themselves, for various reasons, unemployed, and they find they simply cannot find work any more at their age. They are shut out of the job market.

So what happens to them? They often discover, rather brutally, that there is no social safety net to give them the bridge to retirement that they need, save welfare, or Ontario Works. Consequently, I've seen a number of my clients in this situation lose everything—their savings, their apartments, their furniture, their belongings—and also, not uncommonly, they find themselves homeless for the first time in their lives because Ontario Works does not pay enough for housing. Seeing the absurdity of this situation drove me to start this campaign about a year ago. So now I'll get into the meat of the issue.

I'll just start by talking a bit about social assistance. There are two forms of social assistance that are available for people who are under 65 and have no means of income or support:

First, there's Ontario Works, or OW. It's more commonly known as welfare, and it's available for those who have no income and are considered employable. A single person on OW receives \$536 per month for everything—for their food, shelter, transportation, clothes and other necessities. In order to qualify for Ontario Works, one must liquidate all of one's savings and assets except for the equivalent of one month's OW benefits, which is \$536. Since OW recipients are considered employable, they must engage in job search or job training activities, or risk losing their benefits.

The second form of social assistance is called the Ontario disability support program, or ODSP. This provides benefits for people who have major barriers to finding employment. To be eligible, one must have a serious physical or medical problem. ODSP benefits, though still very low, are considerably more generous than Ontario Works. A single person on ODSP receives \$959 a month for shelter and living expenses, and an ODSP recipient is allowed to have up to \$5,000 in savings and assets. Recipients are not required to participate

in job search or training activities unless they choose to do so.

In Ontario, there are roughly 7,000 persons between the ages of 60 and 64 who are living on Ontario Works benefits because they are deemed to be employable. We challenge this assumption. In our experience, and as recently documented by the Ontario Human Rights Commission, people in this age group often face major barriers to gainful employment. Employers are reluctant to hire older workers. Many of the older applicants to Ontario Works have work histories in physically demanding blue-collar jobs—like construction, factory work, maintenance, cleaning—and are often physically unable to do these jobs once they reach their 60s or even earlier. In addition, they may not be able to do other kinds of work if they have no prior experience or training. Therefore, finding work becomes next to impossible for them.

As noted, Ontario Works requires all recipients, including those aged 60 to 64, to participate in job search and training, but for many of them, self-support through paid employment is not a realistic goal.

Our front-line experience with this population informs us that many OW recipients in this age group have worked their entire lives and they find themselves out of work and unable to work for the first time. Some have health problems that would improve with better diet or dental care, but OW benefits don't allow for such luxuries.

Until 1998, social assistance regulations deemed that persons between the ages of 60 and 64 with no income were automatically eligible for ODSP, although then it was called family benefits, until they reached the age of 65 and qualified for old age security. In other words, before 1998, it was recognized that people in this age group faced huge barriers to finding work. Thus, before 1998, individuals over 60 with no income and few assets received a benefit of \$930 per month—that's how much it was at the time—and they were not required to liquidate most of their assets, nor participate in job search or training activities unless they chose to do so.

When the former government, the Conservative government, came into power in the mid-1990s, they made many changes to the social assistance laws, and this is one of them. In 1998, they declared that this age group would no longer be automatically eligible for disability benefits, but would have to go on Ontario Works if they were in need, unless they had an obvious medical impairment which would qualify them for ODSP. Accordingly, they were forced to live well below the poverty line and were expected to participate in job search activities right up until their 65th birthday. This is how the law still stands today.

This is our request. We believe social assistance laws affecting this age group should be restored to what they were before 1998; namely, that applicants for social assistance aged 60 to 64 be automatically eligible for a level of income support equivalent to ODSP benefits and that they be allowed to keep the same level of assets as ODSP recipients and not be required to participate in job

search or work training activities, unless they choose to do so. We are asking the present government to recognize the fact that this group faces major barriers to employment and that requiring people of this age to live on \$536 per month in our province is unacceptable and inhumane.

As noted, the number of people in the situation we have described is relatively small, around 7,000. Transferring them to ODSP would cost, by our estimate, less than \$30 million per year in additional benefits. This relatively modest expenditure would make a huge difference in the quality of life for a group of seniors who are no doubt the poorest in our province.

In the handout there are six case examples of people who are in this situation. I want to just read one of them. This is a personal testimony and it comes from 1997, right before this change in legislation happened.

This is Richard: "I am 62 years old. I live in a small house near the village of Indian River"—that's in Ontario somewhere. "I was born in a part of Germany that is now part of Poland.... My mother died in 1940 My father was taken by the Russians in 1945.... He never came back. I only went to grade 8 and then trained as a baker. I developed TB and could no longer learn the trade of baker. I emigrated with my brothers, sister and step-mother to Canada when I was 19. I spoke no English, so I went to school to learn some basic speaking, reading and writing. My English is still not very good. My four brothers and one sister got good jobs at General Motors. I applied for jobs with GM and Ford, but wasn't hired. I think this was because I am blind in one eye. The only work I could get was seasonal construction jobs. I did this kind of work until 1991, when I was 56 years old. At that time, I couldn't find any more jobs. I used up all my savings and had to apply for family benefits. Now I have been told that my provincial benefits will be cut off in January 1998 and that I will have to go back on welfare. How can they do that? This will be a disaster for me. I cannot survive on welfare and I cannot get a job. I am depressed and very anxious and scared. I was hoping to survive till I turn 65 when I will get CPP and old age security."

To me, that just exemplifies the situation that a lot of my clients find themselves in. And that's it.

The Chair: Thank you. You were right on time.

Ms. Berlyne: Oh, good.

The Chair: In this round of questioning we'll go to the government. Mr. Arthurs.

1620

Mr. Arthurs: I was a little bit late coming down; I was in the Legislature, in a vote. I certainly appreciate the presentation that was made. I was conferring in part with the clerk in respect to our rather tight schedule.

It's interesting to read the constraints upon elderly persons, particularly, because of the greater demands upon them simply for health reasons, capacity, and the extreme limitations they might face as a result of the extreme limits on the capacity of government to provide funding for support and the like.

Do you have some more specific recommendations for us that you might like to see the minister look at, in addition to what you've said?

Ms. Berlyne: In addition to what I've said? In general, ODSP rates as well as welfare rates need to be higher, to be honest. We're asking that people between 60 and 64 be allowed to be on ODSP, but ODSP is still far too low. It's far below the poverty line; it's \$959 a month.

Mr. Arthurs: So you'd like to see some very specific attention paid to those matters, particularly as they might relate to older persons.

Ms. Berlyne: Yes. I'm just saying that this group in their early 60s are particularly vulnerable, I find.

Ms. Hulgaard: There's also the other group that is on OW, whom we consider unemployable. They will never work, but they don't quite qualify for ODSP. We would love to include them, but we thought we would be conservative because it's \$30-some million. That group of people is a big concern as well.

Mr. Arthurs: I think Mr. Wilkinson has a question.

Mr. Wilkinson: There's one level of government in this country that has more money than responsibility, and it's not us and it's not our municipal partners. The question is, has there been any thought about trying to get the federal government, which seems to have plenty of money, to actually extend OAS earlier to people who meet those criteria?

Ms. Berlyne: I never thought of that.

Mr. Wilkinson: We have this kind of gap in this province where we send a lot more up than we get back. We're trying to deal with the question of vulnerable children as well. I don't discount the fact that these seniors are suffering, but we may not be able to do everything and do everything as quickly. So we're always trying to find opportunities where we can talk to the federal government. They are trying to be more relevant in people's lives.

Really, it's bridging over to old age security. If they have an employer, a lot of the time employers offer those as a package if you're lucky enough to work at a successful company. Even if they were downsizing, they bridge people to old age security.

Ms. Berlyne: I don't see lowering the age for old age security happening, because now they're trying to extend the retirement age, right? I can't see them wanting to lower old age security.

Interjection.

Ms. Berlyne: Well, it's true. As I said, to bring these 7,000 people over to ODSP is \$30 million. It's not a huge amount—

Ms. Hulgaard: And social assistance is provincial.

Ms. Berlyne: —and this used to be the law, so it's not like we're asking you to reinvent the wheel or anything.

Mr. Prue: You can change it back.

The Chair: Thank you. We'll move to the official opposition.

Mr. Hudak: My colleague makes a point: If the government wanted to change it, they could change it.

They haven't. There have been a lot of promises that were thrown around by Dalton McGuinty when he was in opposition. Did they make any promises in regard to welfare rates and that sort of thing?

Ms. Hulgaard: Not really. Not for this particular group.

Ms. Berlyne: At one point I think they said they'd index it to inflation, didn't they?

Mr. Hudak: It's always worth asking, because you never know. There have been a few things that have come up in this committee so far that were promised that I didn't know were promised and haven't been fulfilled.

The main point of the presentation is to allow those who are 60 to 64 and on Ontario Works to qualify for benefits of the same level as ODSP. The proposal is not to declare them disabled; it's just to create a new category, basically.

Ms. Hulgaard: Well, it's not really new, because people who are 65 and up who are not eligible for OAS for various reasons receive ODSP automatically.

Ms. Berlyne: Yes. It's just a matter of lowering that age by five years, really.

Mr. Hudak: Is it still called ODSP by those individuals?

Ms. Berlyne: Yes, I find it's on that—over 65, yes.

Mr. Hudak: You made a good point earlier on too, that the government has moved in a direction, which the official opposition supported as well, on allowing those who are 65 or older to continue working, not to base on age that people would be in a particular category. That's why I was concerned about labelling individuals 60 to 64 under ODSP, whether that would be a stigma or saying that they couldn't find work if they tried.

Ms. Berlyne: That's just a problem of semantics, really, I think.

Mr. Hudak: A better idea would be to—

Ms. Berlyne: I think of it more as them having major barriers to employment.

Mr. Hudak: Right. I was just wondering if it would be better to try to describe it in a different way than ODSP, to recognize some of the unique experiences or obstacles that people of that age clearly have.

Ms. Berlyne: If they want to call it something else, that's great, as long as they get the same benefit level and so on.

Ms. Hulgaard: You could call it family benefits.

Ms. Berlyne: Yes; I don't care what it's called.

Mr. Hudak: It certainly is a challenge. We're seeing, even today in Burlington, another factory has closed down. There are some 52,000 manufacturing jobs in the province—certainly, for a man or woman who has been working at a factory for a long time and they find themselves in this age category out of work, it's going to be awfully hard to find a job that's anywhere close to what they were being paid before. There are some worrisome trends on the manufacturing job loss side.

We've also seen that social assistance numbers, social assistance recipients, have gone up, I think, by 10% under this government.

Ms. Berlyne: It's gone up 3%.

Mr. Hudak: Sorry; you're talking about the benefit rate. I was just talking about the total number of employable individuals on social assistance.

Ms. Berlyne: Oh, people on it. OK.

Mr. Hudak: So there are some worrisome trends. On top of that, they have to cope with increasing costs for heat and other utilities, for gasoline, higher taxes. It certainly puts folks who are losing their jobs in a very, very precarious situation, let alone if they're in the age category of 60 to 64.

The Chair: We'll move to the NDP.

Mr. Prue: Before my question, I want to say how refreshing it is to hear a Conservative talk like Mr. Hudak, with compassion for these people.

Ms. Mitchell: What a change—a few years late.

Mr. Prue: Having said that, I was re-reading—and I've read it before—Carol Goar's column, "Life as a Senior on Welfare." The people you're seeing—I mean, the comment has been made about putting the age beyond 65. We had some university professors wanting it and some lawyers and some accountants and professional people. Primarily, those aren't the people you're dealing with. You're working with people who worked their whole lives in factories or physically demanding workplaces.

Ms. Berlyne: Not all of them, but most of them, yes.

Mr. Prue: Then they got too old and were let go or the factory shut down, and the kind of work they mostly could do, if they could get it, would be factory and physically demanding work, which many young people out there can do better.

Ms. Berlyne: Yes, much better. They find even in their 50s they can't get those jobs any more, let alone in their 60s.

Mr. Prue: OK. What you are asking is simply—let's make it as simple as possible—a reinstatement of the law that existed prior to 1998 that allows for people who are on welfare to have the higher rate that used to be called family benefits.

Ms. Berlyne: Yes, that's all we're asking.

Mr. Prue: That, in turn, would simply allow those people to live below the poverty line, but actually might even be sufficient for them to have food.

Ms. Berlyne: And a roof over their heads.

Ms. Hulgaard: As it stands now, one of the examples is a man I was working with who was living in a shelter and got subsidized housing, but he's on welfare. So after he's paid his rent, he has \$201. He has heart problems and so on; he can't eat well enough. So in my way of thinking, it would make sense to allow this person to eat well and take care of himself so that we're not going to get the health costs later on. I can see that with this whole group of people.

Mr. Prue: We also have many, many people in one-industry towns. We've been debating this in the Legislature. Today in Kenora there was a big mill shut down—320 jobs. Of course, they're going to be eligible, I would assume, for EI for six months or a year or however long they can collect it, and then—

Interjection.

Mr. Prue: Yes, and any of those who are over 60.

Given the spate of manufacturing jobs that have been lost, there will be more than 7,000 by the time this eventually rolls around. Are you sure of the costs? Where did you get the \$30-million cost?

1630

Ms. Berlyne: We calculated going from welfare to ODSP as a little over \$400.

Mr. Prue: Per month, times 12, times 7,000.

Ms. Berlyne: Yes, we just did the math.

Mr. Prue: That's the math. That's where you got that from.

Ms. Berlyne: Yes.

Mr. Prue: OK.

The Chair: Thank you for your presentation this afternoon.

ONTARIO ASSOCIATION OF NON-PROFIT HOMES AND SERVICES FOR SENIORS

The Chair: We're calling the Ontario Association of Non-Profit Homes and Services for Seniors to come forward.

Good afternoon. You have 10 minutes for your presentation. There will be up to 10 minutes of questioning by the three parties. I would ask you to identify yourself for the purposes of our recording Hansard.

Ms. Donna Rubin: Thank you, Mr. Chairman. My name's Donna Rubin, and I'm the CEO of the Ontario Association of Non-Profit Homes and Services for Seniors. We've handed around the full text of my presentation this afternoon. That presentation includes some appendices to which I would like to draw particular attention. For example, there's a chart at appendix A that illustrates the proposed breakdown of the funding increase for long-term care that we're recommending for fiscal year 2006-07. Appendix B contains our analysis of the allocation of funding from the last two budgets. Appendix D refers to the support from prominent advocacy groups for the funding increase we're asking for in the next budget.

I know you've been through lengthy hearings today. I'm sure you've had a long day, and the holidays beckon, so I'm going to try to make just a few brief points. I'm not going to follow my presentation exactly.

I acknowledge that the funding for long-term-care homes is complicated. We talk in terms of envelopes and pots; there's capital funding and there's funding to operationalize new beds. There's funding for ministry programs such as the new Web site and system improvements. What I'm going to talk about today, however, is the funding that goes to care for our residents—only care.

The long-term-care homes sector has been underfunded for a long time: at least a decade and probably longer. That chronic underfunding meant that long-term-care homes faced growing challenges in their ability to provide reasonable care to their residents. In 2001, the

Ministry of Health and Long-Term Care funded an interjurisdictional review by PricewaterhouseCoopers. That review concluded that Ontario was dead last among 10 Canadian jurisdictions and foreign jurisdictions studied in terms of the level of care provided to residents of our long-term-care homes.

Prior to the last election, the Liberal Party developed a strategy for our sector. It included a promise of a funding increase of \$6,000 per year per resident. According to the promise, this \$6,000 increase in our base funding would go entirely to care. We at OANHSS were consulted during the development of that strategy; it wasn't a number that was simply picked out of the air. We agreed that the \$6,000 increase to our base funding would be about right in terms of providing reasonable levels of care to our residents.

So where are we today in terms of the fulfilling of the \$6,000 funding promise? In the last two budgets, the government has committed an additional \$1,916 per resident per year to care. The math is very simple. In order to fulfill the \$6,000 commitment, the government must increase base operating funding by another \$4,084 per person. Assuming a total of 75,000 beds, this amounts to a total budgetary increase of \$306 million. For obvious reasons, we would like to see it all, or at least most of it, allocated in the 2006-07 year, in order to keep pace with inflationary and other cost pressures.

Two years ago, the Minister of Health and Long-Term Care and the McGuinty government promised a revolution in long-term care. We want to see a revolution too, and we are prepared to do whatever we can to make it happen. But without adequate funding, without fulfilling the \$6,000 promise, the revolution won't happen.

What will we do with the additional funding? Let me give you some examples.

Residents now receive just over two hours of nursing and personal care in a 24-hour period. We want to move that closer to three hours.

Each personal support worker currently cares for about 10 residents, and they're stretched to the limit doing so. More funding will allow us to hire more personal support workers.

Only about 10% of our residents who require rehabilitation and restorative treatment actually get the care they need. Less than 6% of our residents receive professional mental health services, even though 65% have Alzheimer's disease or some other form of dementia. More funding will allow us to get the professional rehabilitation and psychological services our residents require.

On average, we have about one registered nurse looking after over 60 people on a day shift and up to 100 residents on the night shift. In some homes, that goes up to over 200 residents. The funding will allow us to hire more registered nurses.

Today, homes are expected to feed residents on a budget of \$5.34 a day. You can consider your own grocery bill for a moment, but can you imagine feeding yourself three meals a day plus snacks on this amount? Add this to the fact that homes are expected to prepare

ground, minced and pureed versions of each meal, including specialized diets, such as weight gain, lactose-intolerant and so on. The funding increase we seek includes a much-needed increase of 66 cents per resident in the food allowance.

Fulfilling the \$6,000 promise is also necessary if we're going to keep up with the changing demographics of our homes. The fact is, our residents are getting older, they have multiple chronic illnesses and they likely suffer from dementia. An increasing number require special treatment, such as feeding tubes and oxygen. Most are transferred from hospitals and crisis situations in the community. Let me give you a brief snapshot of our residents.

The average age is 86, compared to 73 two decades ago; 72% are female; 83% need assistance with dressing; 66% need assistance with toileting; 65% have a mental health problem; 94% are at risk of injury to themselves or to others, and many exhibit aggressive behaviours.

In addition, the government continues to add more and more regulations and standards. We have no objection to regulations and standards per se, but we can't implement them without commensurate funding. I'm not just talking about the Ministry of Health and Long-Term Care; there's labour, environment and so on.

My message to you today is very simple. The long-term-care homes sector really can't wait any longer. We need an increase in per diem funding of \$4,084 per year. That promise was made in 2003, and I hope you'll agree that our seniors deserve nothing less.

The Chair: Thank you very much. We begin this round of questioning with the official opposition. Mr. Hudak.

Mr. Hudak: Ms. Rubin, thank you very much for the presentation. It's good to see you again. You guys had a great reception there a couple of weeks ago. I appreciate you inviting the members of all parties to attend.

Your language is very straightforward, and I wish we had better news. You talk about the Liberal promise being clear, explicit and documented in the Liberal campaign brochure for a \$6,000 increase in care for every resident in a long-term-care home in the province. It's highly regrettable that that promise has not been kept, if I'm reading your language correctly.

You say that the government has said they've increased \$455 million over the last two budgets, so you may have some government members who claim they've met that promise. Why is there disagreement between what your report claims and what the government and the health minister have said?

Ms. Rubin: The promise was made to increase care to residents. When you look at where the money has gone, even in this budget of \$264 million in increased funding to long-term care, those are large numbers, but they go to systems improvements, to pay property taxes to nursing homes that pay tax. They go to look at a new common assessment tool, even a convalescent care program that happens to reside in long-term-care homes. These are all applaudable programs, but they don't impact on a resi-

dent in long-term care. Even the convalescent care program is just somebody going from the hospital to the community; it doesn't help the person in a long-term-care bed.

1640

Mr. Hudak: Basically, on page 13, you calculate that they're about \$4,000 per bed short of where the promise would have them. When you bring up that point with the Minister of Health or the Premier, do they acknowledge that they have a way to go, or do they claim they have fulfilled their promise?

Ms. Rubin: Well, they look at the funding they have provided and say, "We've put \$264 million into long-term care in this year's budget." If you look on page 17 of my report, that's the kind of breakdown. Out of that, I would suggest to you that \$48 million of \$264 million has gone to direct care and services. Unfortunately, the problem we see is large amounts of money being provided to the sector that are just not going to the person at the bedside.

Mr. Hudak: Just to make sure I'm clear—you've made an excellent presentation; you have a detailed report here—when you bring that up with the Minister of Health and the Premier, do they agree with your numbers, or do they counter and say they've fulfilled the promise?

Ms. Rubin: These numbers are his numbers. I have not put them together. They're from freedom of information requests. It's just a matter of saying, does pay equity or structural compliance or municipal tax or MDS contribute to somebody in a long-term-care bed? Yes, there are systems improvements in there and important allocations of money, but in our estimation they don't fulfill the \$6,000 promise. I think that's where the interpretation comes.

The Chair: Thank you. Now we'll move to the NDP.

Mr. Prue: I just want to be clear on this, because you asked this question in appendix B, on page 16: "The government announced \$191 million in increased funding ... of which only \$96 million went to resident care and services (resulting in an average per diem increase of \$3.49). Where did the remaining \$95 million go?" I have that question too; I'm still trying to understand this.

Ms. Rubin: Page 16 talks about the \$191 million, and in there you'll see \$29 million to alternate levels of care, which is this convalescent care program that I'm saying is not going to impact on a long-term-care resident. When you look at \$14 million to things like a nursing strategy or best practice guidelines or a risk management framework or public reporting, again, these are good system improvements, but they don't impact on care at the bedside. At the end of that year, we received about \$96 million, and that was actually a good bump of money last year. It's even more apparent this year, when you see \$264 million and only \$48 million actually going to care. This summer we received a 10-cent increase for food. Out of the \$264 million, the per diem increase for food was 10 cents. It's that that we're trying to get at. We would like to see, in the immediate, more money go to

direct care, and when that's taken care of, then look at improving the system and doing these other improvements.

Mr. Prue: The person I knew best there was my mother-in-law, who passed away last year, but when I went there, the people who worked in home care—it was run by the United Church—were becoming increasingly desperate in terms of the food. They were having to take from other things to have enough money to feed the women who lived there. Is this common throughout the system? I know this one was run by the church. Maybe it's true of the privately run ones too; I don't know. They were taking it from elsewhere, because the \$3 or \$4 a day they had for food simply wasn't enough.

Ms. Rubin: The Ministry of Health and Long-Term Care funds all 600-plus homes in the province in exactly the same way. They are all provided with the same amount per day for food. I would suggest that many, if not most, of my members, because they're not-for-profit, are topping up that government subsidy because they have added municipal contributions or charitable donations, and they still find that inadequate. So if you're operating a home on minimum standards, which most private sector homes would, at \$5.34 a day, we would suggest that that is bare minimum.

The Chair: Thank you. Now we'll go to the government.

Mr. Arthurs: I'll lead off with a couple of questions. I'm particularly interested in any further comments around the food allowance. I know from my municipal days that that was an issue when I was on regional council and dealt with health and social services. It's certainly a matter of ongoing concern. I appreciate that you made reference, as well, to the fact that it's been a decade since there was any substantive movement.

In the past two budgets, there's been some movement; it certainly hasn't met all the expectations to this point. But I'm interested in some further explanation of the issue of being able to adequately feed people on that limited amount and the increasing pressures around things like the additional complexities of care, whether it's dementia or physical rehab—the increasing demands there and how you see those best met.

Ms. Rubin: In terms of food, I think the most telling bit of information or change is that we're starting to offer diets much like hospitals. The complexity of our residents is reflected in what we have to do to prepare their food. That's why the money is not keeping pace. You've got to give people choice, and you have to have a well-balanced meal, but it's got to be in all those varieties I mentioned, whether it's wheat-free or lactose-intolerant, plus there are supplements. It's just becoming more complex, so the money is not doing it.

Then, of course, there's the level of care. If we just talk about food, for example, feeding an individual can take up to 45 minutes a day. We have some homes that pull every single person off the floor and out of the administrative office to feed, and many of them are not comfortable with that situation, because that's not appro-

priate. People have aphasia and swallowing problems, and they shouldn't be doing that. There are volunteers in the home, and with all the extra staff, we're still seeing that that's not adequate. Some homes are actually being cited because they don't have enough feeders. The level of funding is not providing us with enough to actually get enough bodies and hands on the floor. That's on the basic level of helping people with toileting, dressing and feeding.

Then there's a whole other level, if you have more enriched funding, to move us to not an extremely high standard. This money that we've costed out is to move the sector to 2.75 hours of care; I'm suggesting to you that three hours would be better. But because there are 75,000 beds in the province, and it's a big-ticket item, we would like to start getting into more specialized support services, such as geriatric care, really helping people with behaviours, trying to make sure there isn't another Casa Verde problem because you've got residents who are at risk and there aren't enough people on the floor to provide the supervision we'd like to.

Mr. Arthurs: It really is providing a quality of life that goes beyond feeding and washing and dressing; enhancing the quality of life as well as providing activities, whether it's rehabilitation or, particularly, the complex mental conditions that some seniors experience.

Ms. Rubin: If staff is trained, for example, in the area of innovation in cognitive impairment, and we start to focus on this person's problem, rather than just dementia, and have our personal support workers and nurses understand how they can truly help that individual, that's where we need to start to move the sector into specialized training and support. But we're racing just to get everybody up, dressed and fed, and that in itself is a challenge.

The Chair: Thank you for your presentation this afternoon.

TORONTO BOARD OF TRADE

The Chair: I would call on the Toronto Board of Trade to please come forward. Good afternoon. You have 10 minutes for your presentation. There will be 10 minutes of questioning from the three parties following that. I would ask you to identify yourselves for the purposes of Hansard.

Mr. Cecil Bradley: Thank you very much, Mr. Chair. My name is Cecil Bradley, and with me today is Angie Brennan, one of our policy advisers. I'm vice-president of policy with the board of trade. I'd like to thank you and the committee for giving us the opportunity to be here today, and a special thank you to Mr. Hudak for helping us attend.

1650

As many of you know, the Toronto Board of Trade is the voice of business in Toronto and the largest local chamber of commerce in the country. It represents 10,000 members, with approximately half a million employees involved in those companies, and produces annual revenue in excess of \$200 billion.

I'm here today on behalf of the board to urge you to reinforce the key role that Toronto's economy plays in the economic and social health of the province. One quarter of Ontario's GDP is created in Toronto. The wealth produced in the city allows the provincial government to invest in the needs of all Ontarians.

However, Toronto's municipal government struggles with persistent financial shortfalls. A major reason for these shortfalls is the gap between the services the provincial government requires Toronto and other cities to deliver and the financial resources provided to the city to meet those demands. The government can close that gap by taking back responsibility for funding social services and returning to the transit funding formulas used in the early 1990s. The alternative to realigning expenditure is to provide the city with new revenue sources or tax room. One of the paths must be taken so that Toronto can meet its expenditure responsibilities in an equitable, sustainable and accountable way.

Besides the structural financial gap, Toronto is hindered by a governance structure that doesn't promote accountability and effectiveness. A stronger system of governance must be in place before the city receives new powers or revenue sources. The board applauds the government for its vision and political courage in moving forward on these issues through the new City of Toronto Act that was tabled yesterday, and in recognizing the key role that good governance plays in reinventing our city. But we repeat our caution: The new act must be a three-legged stool, providing balanced measures of authority and independence, efficiency and responsibility, fiscal resources and tools. The excellent work of the provincial and Toronto governments has dealt with the first two: governance and authority. Now it's time for all three levels of government to ensure that Toronto has the financial arrangements required to meet its investment and spending needs. Then we'll truly have a city that can thrive and succeed.

The reinvention of Toronto is the main focus of today's presentation, but I also want to outline four other key recommendations. The first concerns the immediate creation of a Greater Toronto Transportation Authority. Gridlock costs the GTA at least \$1.6 billion per year. Traffic problems cost Toronto in every way imaginable: lost jobs, investment, poor air quality, frustrated commuters, disappointed tourists, and wasted time and money. We are convinced that we will never solve our gridlock problems until we have an agency to tackle the problem on a regional basis. A GTTA is needed to plan, coordinate and secure funding for the expansion of the regional transportation network. Above all, it must be constituted in a way that allows it to take a truly regional viewpoint and avoid being trapped by conflicts between local concerns.

Our next recommendation is that the government increase public investment in post-secondary education to the national per capita average. In today's knowledge economy, investment in education is strongly linked to regional productivity, prosperity and competitiveness.

Without a skilled workforce, our competitiveness and quality of life will inevitably decline. While the current government has made significant and critical investments in education in recent budgets, Ontario's spending still lags behind that of most other provinces. We believe there's a private sector interest and role in this area, and recommend that government consider tax changes that could provide incentives to individuals and institutions to strengthen our post-secondary education system.

Third, it's vital that Ontario have a diverse, reliable and affordable supply of power. We should consider all new and existing power sources as worthwhile components of a comprehensive plan. Our members are concerned by the lack of a coherent and clearly articulated plan for upgrading our electricity system. Potential investors in Ontario are also concerned, as are existing businesses that are considering expansion or new facilities. As part of an energy plan, the government must be clear about the potential role for the private sector. If the government wants private sector participation, assurances on pricing and policies will be necessary.

Finally, there are several steps the province should take to enhance economic growth and make our tax system more competitive. Toronto's and Ontario's growth are limited when our tax rates are out of line with key competitors. Recent research shows that to be the case. We are not fiscally competitive with relevant US jurisdictions. Tax on labour in the US is about two thirds the rate in Ontario. The tax burden on capital is double that of our key American competitors and is one of the highest in Canada.

The province can't address all fiscal disadvantages at the same time; we recognize that. We recommend focusing on tax changes that have a significant bang for the buck:

First, reduce Toronto's business education tax to the GTA average. The rate is currently 28% higher than our neighbours' and a major reason why Toronto has lost 100,000 jobs in the last 15 years while the 905 has gained over 600,000 jobs.

Second, eliminate the capital tax. We're one of the only regions in the G8 countries to continue to apply this counterproductive tax. While it would be costly to the government in the short run, we're in agreement with prominent experts who argue this would provide an outstanding return on investment.

Third, harmonize the PST and the GST. This would create substantial benefits for both government and business at a relatively low cost. It could be structured to be revenue-neutral and still stimulate investment and enhance our standard of living.

Fourth, harmonize corporate tax collection with Ottawa for the 2007 tax year. The government's current work on this issue holds tremendous promise. Done right, it'll cut the red tape burden and save Ontario businesses tens of millions of dollars per year in compliance costs.

All of these recommendations are explained in detail in our written submission, which I commend to the committee's consideration.

In summing up, the board of trade recognizes that these are tight fiscal times, and we will continue to support Ontario's effort to narrow the fiscal gap with the federal government. The province is on track to eliminating the budget deficit, and Ontario's economy is rebounding from the combined effects of events in 2003. Budget 2006 is a critical opportunity for the province to invest in its strongest economic asset: Toronto. We ask that you recognize the wisdom and effectiveness of creating a competitive Ontario by helping to build a stronger Toronto.

On behalf of the Toronto Board of Trade, I thank the committee again for the opportunity to be with you on this snowy afternoon and I'm pleased to take your questions.

The Chair: Thank you for your presentation. We'll begin this round of questioning with the NDP.

Mr. Prue: Thank you. First of all, some questions on what you had to say here. You talked about the electricity system. We hear a lot from manufacturers in the north from pulp and paper and sawmills and stuff about the costs, and that's why so many of them are going under. Are businesses in Toronto going under because of electricity?

Mr. Bradley: I don't believe that's the case yet. I don't believe that any of our members have come to us and pointedly said, "With the current rate regime, we're just not viable." What our members are telling us is that it's the medium and longer term that they're really concerned about.

Mr. Prue: A previous group said that businesses in Ontario are looking at the medium to long term. They've seen electricity rates go up quite rapidly in a couple of years, and anticipate—they were talking as well about nuclear—that the long-term prospect is such that they're just not going to do business in Ontario. Are your members saying that about Toronto?

Mr. Bradley: What they are most concerned about is the trajectory, or the implications of the current policy stance, taking us to an ever-higher cost regime with respect to electricity when we know that so much of the Ontario economy was founded on reliable, lower-cost energy.

Mr. Prue: I'm very constricted with time, but you've talked in here about tax. Do your members believe that the property tax and the business tax they pay for properties is a fair tax; that is, are they getting good value for their money in the property taxes they're paying?

Mr. Bradley: That's a leading question, but I think I'd answer it in two ways. I would think that businesses would say that taxing property is a fair and reasonable way for local governments to raise revenue. All they ask is that the distribution of the tax burden be fair between the various classes within the municipality.

1700
Mr. Prue: They don't think that is particularly the case in Toronto because of the high education proportion and because business can pay three or four times as much as a homeowner?

Mr. Bradley: We know that the tax ratios in Toronto are in excess of four to one and there certainly is not a four-to-one relationship on the service side. In fact, generally speaking, businesses derive fewer municipal services.

Mr. Prue: But in terms of what those taxes pay, the majority of the money does not go to the municipality; it goes to the province.

Mr. Bradley: The provincial property tax that's charged to businesses in Toronto?

Mr. Prue: No, the property tax that's charged to everyone in Toronto. The majority of that money ends up in the province for education, ambulance, welfare, social housing, child care. Do you have any thoughts on that?

Mr. Bradley: We have argued, as have many others, that locating the cost for child care, social services, social housing and what have you on the property tax is simply wrong, and that one of the most constructive things that can be done for the city of Toronto's finances would be to upload those costs. If those costs were uploaded, most, if not all, of the shortfall that Toronto has experienced over the last several years could be eliminated.

The Chair: We'll move to the government.

Mr. McNeely: You were talking about the gap, and you're starting to hear now about the gap from municipalities to provincial. For us, it's certainly major. There was a \$2-billion gap in 1993 and suddenly it became an \$18-billion, a \$19-billion and now a \$23-billion gap, and it just doesn't seem to be making sense. We're looking at transportation just for Toronto and the massive problems you have in so many jurisdictions involved in it. Do you feel that the municipalities represented in the greater Toronto area, including Hamilton, are ready to get into this GTTA business? Is this a need, a desire that's recognized within the city now?

Mr. Bradley: I think there are some reservations among municipalities about planning and delivering transportation services and investing in transportation infrastructure on a regional basis because they are unsure about the kind of governance structure that would guide the funding, that would be accountable for spending decisions, that could engage the public in discussions on the plan. There are reservations at the municipal level on that front, and of course there are reservations about, "Where would the money come from?" So I think there are reservations among municipalities about moving into a regional transportation planning and service delivery framework.

But taking note of those, it's the board's view that we really don't have any better choice, that the kinds of transportation challenges faced by the city of Toronto, its neighbouring municipalities and the municipalities that lie out further can't simply be addressed by continuing to plan and invest in transportation on a local government basis. There has to be a large element of regional planning and coordination or we're simply not going to get a good bang for our investment dollar and we're not going to get people and goods where they need to be in any

kind of cost-effective way that's friendly to the quality of life.

The Chair: We move to the official opposition.

Mr. Hudak: Great. Thank you very much for the presentation and for your kind words. It's good to see you again. I enjoyed our meeting with our leader, John Tory, not too long ago, where we discussed some of these similar issues.

You have your detailed policy document alongside with it, and I just wanted to refer to page 8 of that. Specifically it says:

"Retain and modernize coal-based generation capacity

"The government's decision to proceed with the removal of coal-based generation plants from the power-generation mix has created anxiety among businesses and residents and puts Ontario's future economic stability at unnecessary risk."

You go on to say, "New technology now exists that makes it possible for coal to be used much more efficiently, dramatically reducing the polluting side effects." The Premier says there's no such thing as clean coal.

Mr. Bradley: At the board, we have a fairly large policy advisory committee, an electricity task force, that was set up seven or eight years ago and draws expertise fairly widely from the generation, distribution and supply sectors. They are persuaded that there are technologies—not conceptual, but in place and working—that would bring a very high level of air quality to coal-fired generation. So they are not as pessimistic or as—

Mr. Hudak: Political?

Mr. Bradley: I don't know whether it's political. Sometimes, people are persuaded by technical arguments, and then are not able to keep up with further developments in the field. I think that many other places in the world have been investing very heavily in coal technology, trying to make it more environmentally acceptable, and I think in many places, they have been.

Our representation does not argue that we should go for more coal. Our recommendation is that it would be a prudent stance to keep all energy options open.

Mr. Hudak: In fact, you basically tell the Ontario government to abandon its current plan, to refurbish them so they meet provincial environmental standards and keep the coal open, on page 9 of your report.

The other thing I found interesting too was on the post-secondary education system, page 12. You want to open it up for private institutions and individuals who wish to strengthen our post-secondary system, to invest in post-secondary education. I've had friends who have gone to other countries for their post-secondary. They had the chance to go to liberal arts colleges, for example, or private institutions that we don't really have in the province of Ontario. So you think we would benefit from allowing private universities or private colleges in the province?

Mr. Bradley: I think that in post-secondary education, as in a number of areas of public policy and public administration, what we have been running up against in the last several years are serious constraints about the

ability of the public sector to provide the full range and depth of services that people are looking for. We have to say that if the public sector has a limited capacity to provide facilities and services of the sort that people need, then maybe it's reasonable to look at other alternatives. In this instance, it might be reasonable to look at other ways where people could get educated and trained at the level they'd find acceptable.

Mr. Hudak: The finance minister—

The Chair: Thank you.

ONTARIO COALITION FOR SOCIAL JUSTICE

The Chair: I would call on the Ontario Coalition for Social Justice to please come forward. Good afternoon. You have 10 minutes for your presentation. There could be up to 10 minutes following that. I'd ask you to state your name for the purposes of our recording Hansard.

Mr. John Argue: Certainly. My name is John Argue. I'm the coordinator for the Ontario Coalition for Social Justice.

Just to give you a couple of sentences of introduction, the coalition began about 10 or so years ago in reaction to the Harris government policies of cutting back on social security and social benefits to so many people in Ontario. The essence of our activity and concern is with people of the lowest economic spectrum trying to live in this province, and therefore with marginalized workers.

I apologize for not writing a document today, but I'll attempt to come within 10 minutes. Please cut me off at 10 minutes if I'm beyond.

The common thread, as I say, is with low-income people, including people who work, marginalized workers and people who are working minimum wage and who just aren't able to make sufficient money to pay the bills that are required.

One other comment about our coalition: We exist in about 40 communities around the province. We're in a period of regeneration. The group was particularly active 10 years ago with Days of Action, expressing utter frustration by all sorts of people—labour unions, provincial anti-poverty groups and community groups—with the kind of cuts that were occurring. Then we went through a low period. Now we are appealing to a number of people—and they are approaching us, so we're in a state of renewal—who are expressing concern about the continuing problem, unfortunately, with low income.

1710

Our first item is social assistance. That was one of the dramatic cuts that got the coalition going. That is, the Harris government cut the lowest-income group, the people on Ontario Works, by 21.6%. Our frustration with the Liberals being elected and bringing in change is that unfortunately you only found enough money to increase the rates by 3% a year or so ago. While we understand and are sympathetic to constrained economic circumstances, we're concerned with the people who have to try to live with such meagre money, and 3% just doesn't

dent the huge cut a number of years ago and then the inflation since then. So we would urge the committee to recommend to the government that social assistance rates really need to be raised.

The diet supplement is a controversial and current topic. People in the coalition see the diet supplement, as the name implies, as a nutritional and health supplementary for social assistance. Probably the clearest statement that I've seen is by the Association of Local Public Health Agencies, a statement just two or so weeks ago. They calculated that the basic allowances of Ontario Works, and ODSP as well, just do not provide for adequate nutrition after housing costs are taken into effect. Hence, they suggest that all sorts of people apply for the special diet. They probably didn't know of it beforehand, but thanks to OCAP or whoever else, they became aware of it. But the frustration now with the restrictions on the special diet is that people find it even more difficult to live.

For example, I was speaking to a public health nurse in Peterborough yesterday. Her clients or patients are stressed, not sure whether they're going to be cut off or not. They don't know how to read bureaucratese—the letters that come from the government—and are just confused and intimidated. They are really frustrated. These nurses are desperately trying to help people and assure them.

We just want to assert and affirm that the diet supplement is really a needed supplement for health and nutritional reasons. Surely investment in people's good health is an investment in reducing costs, in effect. You can surely make the argument that if people are in good health, they'll use the health system less. It just makes sense to so many of our members, for their own mental health and well-being, for their health needs, to have that extra assistance.

JobsNow and privatization: That's another and different concern. Here, I guess on a personal level, we're concerned with the information we get from CUPE locals that deal with people who are disabled. The general point that CUPE and its different locals around the province would make is that public services, public agencies, and the government, for goodness' sake—the Ministry of Community and Social Services—make provision for disabled workers to fill the jobs that are available. The risk of engaging in this pilot called JobsNow and therefore the risk that JobsNow might replace CUPE employees and also a section of the branch of community and social services, like I understand is going on in BC, is that the service just will not be as good. The particular point that CUPE makes is in regard to disabled people. It's a relatively small group but it's a particular concern.

In general, the kinds of groups that we're concerned with are women, particularly single women and women who are parents, disabled people, aboriginals, recent immigrants and refugees. I think those are the categories of people who, at whatever level—whether receiving Ontario Works or minimum wage or earning whatever wage—are just finding it a really, really difficult time. So

we're concerned with those people and the government policies that affect them.

You've heard of the NCBS, I'm sure. The Hands off! Campaign by various legal clinics around the province and Campaign 2000, the child poverty organization, would argue very strongly that this government not claw back the roughly \$120 per month per child that the clawback represents. We're not convinced that that money is being invested in services that help the people who are in receipt of social assistance, and we're just really frustrated. There are only two provinces in the country, for goodness' sake, that don't claw back. Ontario is with the majority of provinces, but we just urge Ontario—as an Ontario resident, personally, as a person who has grown up here and a person who likes this province and who feels a responsibility to take care of neighbours, I'd just urge us all to be considerate of people around the province who need that extra money.

The minimum wage: I refer to NAPO, the National Anti-Poverty Organization, which urges that the federal government adopt a minimum wage, actually, but also that all the provincial governments increase the minimum wage. I acknowledge that this government is increasing in stages the minimum wage to the point of \$8 by 2007, but we just argue that it's not enough. NAPO, I think a year or a couple of years ago, has argued that \$10 per hour is the minimum reasonable rate and that it should be increased annually by the cost of living. Gee, if a person working full time at minimum wage taking care of a family earns \$8 even two years from now, he's not going to be able to make all those bills. You can have two people working, for sure, and all sorts of other social problems that that implies. We just urge you to increase the minimum wage even faster.

Affordable housing: We mention this just because affordable housing is such a clear need in these days of high costs of housing and the lack of affordable housing all through the province, not just in Toronto, where the rents happen to be the highest. Where's Home? 2005 is a report published a month or two ago by the Ontario Non-Profit Housing Association; it will certainly be on their Web site. It illustrated that in nine of 11 cities or towns in Ontario the rents went up more than inflation. The statistics are there in reports. The people at the lowest end just can't afford the housing. Hence, social assistance rates, minimum wage—the help that the government can provide—have to be raised in order that people can pay their rents, for God's sake, and avoid getting kicked out and are just able to establish that dichotomy of responsibility that Mel Hurtig made a number of years ago: Pay the Rent or Feed the Kids. Hopefully in Ontario, most people could do both. Therefore, I would urge that these rates be raised, whether it be the minimum wage or social assistance.

Sufficient staff in employment standards is a very particular issue. I refer here to some legal clinics that are active with marginalized workers and immigrant workers in particular who find marginal jobs; in other words, working for pizza companies. The issue just came up the

other day; it was Amato Pizza. Amato Pizza has a number of branches in Toronto; I'm not sure where else in the province. They owe \$82,000 to seven unpaid workers. One guy is quoted in a press release that the legal clinic and workers' action centre put out that he's owed, I think, \$7,000—six bounced cheques by his employer, who makes him work 80 hours a week. It's just outrageous. The point I'm making, aside from the individual story, to you members—and I'm sure that in your constituencies you might hear of like stories. I think the responsibility of the government, however, is to look at the inspectors who are hired by the employment standards branch. I understand that a few years ago approximately an equal number of inspectors at the employment standards branch and health and safety branch were employed. In the interim, in the last few years, the health and safety branch's budget has risen, so that their number of inspectors has gone up significantly. The health and safety branch inspects 10% of employers and businesses around the province. The employment standards branch inspects 0.6%—much less. The alternative budget that was offered last year to the Legislature and to Queen's Park advocated that 100 officers be hired in order to make up that difference. The Provincial Auditor, I understand, has verified that recommendation as well. Here is a concrete instance where, in fact, the provincial government might get some more money, because they advocate as well increasing the fines for violators—businesses—and recommending that that money be put into paying for some of these extra workers.

I'll cut there and I shall elaborate what I've just said in writing—by February 2, I understand. Thank you very much for letting me appear.

The Chair: Thank you for the presentation. We begin this round of questioning with the government.

Mr. Arthurs: I appreciate your comments, everything from the need to establish them 10 years ago—your words, out of frustration—and the list of activities or initiatives that you would like to see government engage in or continue to engage in in a more substantive way than they have. It's a little bit like a shopping cart of activities or proposals. I'm wondering if I could almost put you on the spot—and if you don't feel comfortable, that's OK too. But if you were rolling this shopping cart up to the checkout counter, which items would you take out of the basket first for the clerk to check out?

1720

Mr. Argue: I attempted in my introductory comment to say that the general concern that we have is with the lowest-income people and with marginalized workers. So I'm including both people who are on assistance of whatever sort, whether ODSP or Ontario Works, and people who are working for minimum wage or, for that matter, less, for goodness' sake, considering that some of these people aren't paid by these unscrupulous people.

My general comment would say, in various ways that I've illustrated in the different points, that what the Coalition for Social Justice wants to see is protection for this class of people—not class necessarily—the group of

people in our province who are paid or who earn or who have the lowest income. We want them protected. We would argue that that's an investment, for goodness' sake. I'm horrified at the killings and the violence that have been existing. I wouldn't make the argument that Jean Chrétien made a few years ago, that poverty leads to violence, but you know that there are studies that show that—not in as blunt terms.

The general point we're making, though, is that the lowest-income among us have to be helped. We want all these addressed, if possible. We leave the priority to you, to bounce it back to you.

Mr. Arthurs: I'm not sure what our time is or whether any other members have a question.

The Chair: We have about a minute.

Mr. Wilkinson: John, you're very passionate. We appreciate that you're here. Just to be clear, then, if we can't do everything this year—we're making progress on some of these fronts, and obviously not enough. The Minister of Finance is always looking for recommendations from various people, including this committee. We have to balance off our priorities. For example, we asked another group that had similar concerns if there was one thing we could do, and they said that we have to get rid of the clawback because it's the most unjust, it's affecting the future the most, because we pay the costs of all of these children who are raised in poverty. I think that's kind of what my colleague was saying. We have the ear of the minister. We can't do everything. We're making progress, but where would we need to make the most progress?

Mr. Argue: I think I'd avoid your question, if I can, by making a general comment. However, I would acknowledge that the clawback is just a crucial item. We have to invest in kids, for goodness' sake. We have to invest in the next generation. Kids are not the next generation; they're here now, for God's sake. They need help.

Mr. Wilkinson: So, sure, that's vital.

Mr. Argue: As I said, I compliment you on the things that can be done. I just urge you to make as many improvements as possible.

The Chair: We'll move to the official opposition. Mr. Hudak.

Mr. Hudak: Thank you, Mr. Argue, very much for the presentation. I think my colleagues are asking very good questions in terms of prioritizing, because we really have to make recommendations at the end of the day as to what we want the finance minister to pursue. The clawback, I understand from debate and my friend Mr. Prue, is about a \$210-million item.

Mr. Prue: It's \$218 million.

Mr. Hudak: A \$218-million item. The reality is that spending has actually gone up since 2003-04 by some \$13 billion. People get this message that times are extremely tight; there's no money. Revenue is actually up \$13 billion in the province, and you'd think that the priorities of that spending would be promises that were made. I think I'm accurate that Dalton McGuinty promised to eliminate that clawback, didn't he?

Mr. Argue: Yes, he did.

Mr. Hudak: One item that I was trying to catch up with—I confess, I'm not as familiar. You talked about a JobsNow program. Is that like a work-for-welfare program under a different name? What are your concerns surrounding JobsNow?

Mr. Argue: The concern about JobsNow comes from our labour supporters, I suppose, and the criticism that the same kind of work being done and accomplished by people in CUPE and maybe OPSEU is being farmed out in a pilot, I understand, in five or six different cities around the province to look at whether a particular private company can accomplish what the public service has been doing more effectively. Our concern, I guess, is, why is a private company doing very similar work to public servants, who can do the same thing, I'd suggest, probably for less money and hopefully, I think people would understand, more sympathy?

Mr. Hudak: Thanks for the clarification.

I've always believed fundamentally that the best social program is a job. The challenge that often people on social assistance have is moving into the workforce, and then the high rate of marginal taxation they face with some of the associated benefits they'd have to give up. Are there any suggestions that you would have on good programs, tax incentives, targeted investments etc., to help some low-income individuals leap back into the workforce and overcome this high rate of marginal taxation?

Mr. Argue: I'm not right up on that. I think there are various programs that are extended. In other words, if a person on social assistance or on ODSP is able to work, then all of a sudden their health payments are paid off, and they have to incur health payments, or they have to pay for transit costs, which they may have received when exploring for work while on assistance. It's that kind of program which I and the coalition would urge be extended for six months, for a year, some kind of bridging time; I can't itemize it exactly, but it's that sort of idea: The sort of help that people will have received on assistance should be extended for a period of time. That would, hopefully, help.

Mr. Hudak: The other issue that I hear about in my riding, and I know my colleagues do as well, is energy costs and home heating costs that are going to be going up significantly in the time ahead. The federal government is looking at a program of assistance for low-income individuals and families on home heating. To what extent are you encountering concern about energy and heating costs, and do you think the government or the finance minister should act in that regard?

Mr. Argue: It's not one of the items I drew attention to, actually, but to answer your question, yes, we have heard of that. I must say, the other items that I've mentioned and which I've addressed are ones we have heard more clearly and more frequently, but I wouldn't suggest that's not an important item. That's out there. This is clear. It's simply the fact that the coalition has not been involved in environmental concerns. I would hope

over a year or so more of talking to more people around the province that we would become more active.

The Chair: Thank you. Now we go to the NDP, and Mr. Prue.

Mr. Prue: A couple of things. The diet supplement—close to my heart. The minister suggested in a press conference that it was illegal and immoral what some of the doctors were doing, trying to get welfare recipients money for food. Do you concur with that?

Mr. Argue: Certainly not. As I said, the law, or maybe it was a regulation establishing you get the diet supplement whenever—a number of years ago—I think was placed, in good sense, as the name implied, for nutritional and health reasons. However, a greater number of people got funded with the diet supplement in the past year or so. I don't think it's abusing the system or using the law or finding a loophole, or the various phrases that have been made. In fact, I think there's good reason for people who are of the lowest income to have further assistance to buy the extra food they need for health and nutritional reasons. It's just not possible at the low rates that they've got, otherwise.

Mr. Prue: The Daily Bread Food Bank and many of the poverty groups estimate—and the estimate is flowing, because they were not all the same right to the exact penny—that the average welfare recipient spends between \$2.14—that's the lowest I've seen—and the highest, \$2.38 per day for food. That's all they have after they've paid for their housing and the other costs.

I shouldn't even have to ask the question, but can a person eat nutritionally for \$2.14? Is that why they're going to the doctor saying, "Give me a supplement"? I mean, for \$2.14, I can buy some really cheap bread and one can of tuna. That's about all I can buy. I don't know about the rest of you.

Mr. Argue: I think you've dramatized the point more than I have. No, I can't believe how anybody, obviously, could sustain themselves—heck, remain alive, for goodness' sake—on \$2.14, so of course you need more money.

Mr. Prue: You went on to talk about the clawback; you concurred, and we heard another group say that today, and certainly it's my belief that if you can only do one thing, that's the one to do. You could do more by ending the clawback to end child poverty in Ontario than any other single action you could take. You seemed to come to that somewhat reluctantly, though, I guess because there are so many other priorities, or because you don't want to choose one, or because—

Mr. Argue: Yes, it's that, actually. I find it difficult to choose one. It's like you people, as politicians.

Interjection.

Mr. Argue: Do I want to be a politician? Gee, no, I don't. I don't want to have to make those kinds of choices. I want to help everybody.

It's a reluctant choice and it's a sensible choice, right, because it's not just children—not to demean any children; it's really important to help children. But with the child tax credit, you're helping the families, for good—

ness' sake. You're helping the kids to have a better future, to have better opportunities, and more money is placed at the family's disposal too. So, yes, if it's only one, then sure, I think the clawback is the most important to deal with. But it's just that the others are so stark. Your questioning about the diet supplement just illustrates how difficult the choice is.

1730

The last conversation I had with the mental health nurse in Peterborough the other day—my Lord, I can't imagine the kinds of things that she has to go through with mental health patients not understanding the forms and trying to wrestle with that kind of economic difficulty they have, eking out an existence, and, having relied on a diet supplement for the last couple of months because they learned about it and got it, then maybe they're threatened to be cut off. It's that kind of concern, that certain moral concern, I guess: the moral concern, that is, of a responsibility that I like to think this province has for all of our citizens.

The Chair: Thank you for your presentation before the committee this afternoon.

Mr. Argue: Thank you, and best of luck making decisions on all these items.

ONTARIO PHYSIOTHERAPY ASSOCIATION

The Chair: I call on the Ontario Physiotherapy Association to come forward, please. For the committee, we have a small bit of housekeeping to do at the end of this presentation.

Good afternoon. You have 10 minutes for your presentation and there may be up to 10 minutes of questioning following that, divided by the three parties. I would ask you to state your name for the purposes of our recording Hansard, and you may begin.

Ms. Dorianne Sauvé: Hello. My name is Dorianne Sauvé. I'm the CEO of the Ontario Physiotherapy Association. With me today is Don Gracey from CG Group consulting. Thank you, Mr. Chairman, and I understand that I'm the only thing that actually stands between this committee and the Christmas recess, so I'll be brief.

Mr. Wilkinson: And a little piece of business.

Ms. Sauvé: Just a tiny bit of housekeeping you have to do after I speak. I don't have anything written to hand out to you today. I will be touching on three major points relating to health care in general and physiotherapy in particular, and then I'll try to tie them together and there will be a more fulsome submission sent to you before February 2.

The first issue relates to health care expenditures, and their magnitude and growth. Since about 33% of Ontario's total expenditures in the current fiscal year will be on health care, I assume that health care will be a major preoccupation of this committee. Ontario has the third-highest per capita spending in Canada on health care, at \$4,595 per person. Straight-line revenue and expenditure projections for Ontario, without factoring in such things

as inflation or the impacts of the aging demographics, indicate that 50% of Ontario's budget will go to health care by 2010. By 2017, that number is 66%, and by 2026, it will be 100%. Ontario reaches each of those thresholds faster than any other province.

Most of us know that these trends are unsustainable. Many of us believe that there may well be enough money in the health care system; the problem is that it is being spent inefficiently or in the wrong places. Given our precarious situation, it's at least a proposition that's worth examining.

Physiotherapists look at where most of the expenditures are going: hospitals, pharmaceuticals, physician spending and non-hospital institutions such as long-term-care homes. This represents the traditional paradigm of health care delivery centred around hospitals, doctors and drugs.

I have an in-and-out thing going on with this mike right now; sorry. I'll try to—

Mr. Wilkinson: We can hear you.

Ms. Sauvé: You can hear me? Great.

It is not, however, the most cost-effective health care model. If health care funding in Ontario is to be sustainable, we need to change the delivery paradigm. The legislative framework is already in place under the Regulated Health Professions Act of 1991. What we have to do is match action with the rhetoric. Substitution is a solution: substitution of home care and community-based care for institutional care whenever possible; substitution of lower-cost and more accessible practitioners for doctors whenever appropriate; and substitution of non-invasive, drugless therapies for pharmaceuticals whenever clinically effective.

Although the solution seems obvious and the current policy suggests that we are going in that direction, we really aren't. Because hospitals and other health care institutions, physicians and drugs draw such a large proportion of health care expenditures, funding for community-based care and home care is increasingly inadequate, and has resulted in rationing care and unacceptable wait times.

We characterize cutbacks in community-based care, home care and physiotherapy, as well as other allied health care professionals, as being penny-wise and pound foolish. It only shifts demand to the more expensive delivery components of the health care system, meaning that it costs the system more in the long run. That's why we're spending more and more money on hospitals, drugs and doctors, but wait times, accessibility, the physician shortage and the overall health status of the population aren't getting much better.

The Ontario Physiotherapy Association is suggesting a rebalancing of health care expenditures by putting proportionately more funding into community-based care and home care, by encouraging the greater utilization of drugless practitioners and drugless therapies and by removing the funding and other barriers that get in the way of patients receiving the most cost-effective care when they need it and where they want it.

Ontario's health care delivery system is calcified by archaic regulations and funding anomalies that add to cost and impair access. Rebalancing funding and removing anachronisms will reduce the demand for those components of the health care system that account for the majority of spending and for the largest growth in expenditures. It will help to reduce wait times, it will improve Ontarians' access to health care and I'm certain it will also improve health outcomes.

The second thing I'd like to address relates to evidence-based benchmarks that the federal, provincial and territorial health ministers announced earlier this week; I mean, for example, the benchmarks by which hip or knee replacements will be provided within 26 weeks and cardiac bypass surgery within two to 26 weeks, depending on urgency. We very much applaud these benchmarks, but—and there is always going to be a “but” somewhere—their publication begs a very serious question. Once a hip or knee replacement surgery or cardiac surgery is done, where do the patients go for rehabilitation? The very substantial additional money that has gone into increasing the number of joint replacements and cardiac surgeries in Ontario is like expanding one section of a long pipeline. Unless the capacity of the entire pipeline is increased equally, the flow-through doesn't change.

In most of the communities you represent, the hospitals have closed or downsized their outpatient physiotherapy clinics, even though these services, provided in hospital on an in-patient or outpatient basis, is an insured service under the Canada Health Act. There isn't a single general-purpose outpatient physiotherapy clinic in any hospital in Toronto.

As I said earlier, community-based and home care physiotherapy resources are already stretched to the limit. So the answer to my question is that post-surgical patients will have to rely predominantly on in-patient hospital rehabilitation, the most expensive type of rehabilitation available. Because of the lack of outpatient community-based or home care resources, many of these patients will become bed blockers. They will be occupying very expensive hospital beds long after they should have been released to an outpatient clinic or to home care or to a community clinic, or they will be released from hospital with very high levels of acuity without the likelihood that they can get the rehabilitation services they require.

My point is that the benchmarks are great, but unless we substantially increase rehabilitation resources available outside of hospital in-patient services, we will create a huge post-surgery bottleneck in the delivery system. That bottleneck will soon back up and make it impossible to reach our benchmarks.

1740

My final point relates to the delisting and re-listing of community-based physiotherapy services. I remind committee members that the Ontario Physiotherapy Association did not oppose the delisting of OHIP schedule 5, because we were convinced that physiotherapy services

could be delivered more cost-effectively and with greater accessibility under a new model. The Ontario Physiotherapy Association was ready for a paradigm shift. Nevertheless, we were pleased that the government recognized the need for publicly funded physiotherapy in our communities, at least for the young, seniors, those on benefit programs and residents of long-term-care homes. Yet despite the announcement that these populations would have access to publicly funded physiotherapy as of April 1, 2005, we find ourselves, eight months later, still without those services except in a small number of geographic areas that have OHIP-designated physiotherapy clinics. The geographic restrictions that were one of the problems of the old schedule 5 system continue.

The delay in addressing this major gap in accessibility has caused confusion in communities throughout Ontario. Many still don't have access to these promised services. Physicians and others developing their family health teams are not including physiotherapy in their planning because they think these services are already available in the community. In most cases, they are not. Hospitals responding to budgetary pressures are reducing their outpatient physiotherapy services, again based on the misconception that physiotherapy services are available in the community. Again, in most cases, they are not. In both cases, we are concerned that the situation will only get worse once the LHINs are operational.

The Chair: You have about a minute left.

Ms. Sauvé: Excellent. I have about a minute left, too.

Physiotherapy is facing a perverse phenomenon: The government has acknowledged the need for community-based physiotherapy, and because of that announcement, the health care community assumes that physiotherapy is reasonably available, but the lack of action to implement the announcement means that there's actually less community-based physiotherapy than ever before.

As the Ontario Physiotherapy Association said at the time, the delisting of OHIP schedule 5 provided an opportunity to start fresh, to determine the physiotherapy services needed in the community and the most cost-effective way to deliver those services. It's not too late. We urge the government to invest in an overall review of physiotherapy and rehabilitation services in Ontario and to ensure that those who truly need these services can get them when they need them and where they need them in the publicly funded system.

The Chair: Thank you for the presentation. We'll begin with the official opposition.

Mr. Hudak: Thank you very much for the presentation. It's obviously well-timed. You concluded before our Chair lowered the gavel on you.

A couple of quick questions. April 1, 2005, as you mentioned, was the announcement that these new programs would be taking place, and we're now more than eight months later. Have there been discussions with the Minister of Health? How far advanced are they? Should patients in my riding have hope that they will start in the new year, or are you feeling pessimistic?

Ms. Sauvé: We've been in ongoing discussions concerning the announcement of April 1 since February last year. How far have we gotten? We've tackled phase 1 of the long-term-care homes, so that those homes that have no services whatsoever will get them. We've tackled phase 2, or at least we'll be rolling out phase 2, this month, so that those homes that have minimum or little access will be rolled into that program for long-term-care homes. That's it. That's where we've gotten to. We haven't addressed the community-based component yet, and we're not really sure what the timeline for that will be or what the plan will be, going out.

Mr. Hudak: In the interests of time, I have one more question, and I want to go back to that as well.

It's been 10 months and very little progress has been made. Maybe you could identify for the committee what the obstacles are, and maybe the finance committee could help dislodge those obstacles.

Secondly, you mentioned some concern about the LHINs and their impact on physiotherapy services. Related to that, I had a concern about the amalgamation of CCACs. If a constituent needs physiotherapy services, an MPP will often go to bat for them and try to get an extension of care through the CCAC. Mine is now going to be amalgamated into this massive new area, which I fear will restrict the ability of a senior or her MPP to get them service. If you don't mind explaining a bit about your concerns in the LHINs/CCAC area as well.

Ms. Sauvé: So do you want me to touch on the first part of your question?

Mr. Hudak: You can do both.

Ms. Sauvé: I'll touch on the first component of the question. I think that some of the barriers exist exactly in what my third point was: We are trying to build on a previous system that had problems in it to start off with, which have been communicated by our association to government in terms of what those issues were. If you're trying to build on a system that currently exists and is not meeting those accessibility needs, then you're trying to build on something that wasn't working in the first place, as opposed to going back and looking at what our overall goals were and what we're trying to achieve. I think that, in a sense, is a major barrier at times.

If I was looking at the second part of your question in terms of the LHINs, I think you nailed it in the sense of where those boundaries are, what the impact is, that the restructuring of CCACs is a confusion and where exactly some CCACs are absorbed by a LHIN, others will straddle a LHIN. At this point, it's very confusing as to how that will work out. The CCAC system has been through transition over transition over the last few years. Even at that they are struggling, in a sense, to achieve some of those things.

I think what we run into with the LHINs, in particular, is just the void of not knowing how that will work out, how that will be structured, how that will go, where the information will come from that will influence decisions made at that geographic boundary, who will be the players, in a sense, and will they have a firm under-

standing. The majority of Ontarians at this point think that all this is covered. We have people literally showing up at private clinics saying, "The government pays for my services," but they don't; not in every private clinic. That's not the way the system is built. If there's a misunderstanding by Ontarians, then there's a misunderstanding by the community, there's a misunderstanding by the hospitals as to what their mandate is, and then CCACs tend to have to pick up a lot of the overflow and the discharge. I think it's something that we really need to have an overall picture of: what physiotherapy rehabilitation services mean in Ontario and what needs to be covered. We need to break down those silos between those groups so we can talk about them.

The Chair: We'll move to the NDP.

Mr. Prue: I want to go back. You were talking about how you've been sitting there for eight months trying your very best with the government to try to come to some kind of sense around long-term care. You've got a phase 1 and a phase 2. Could you just explain to me what is happening? I got a letter yesterday, which I haven't even had a chance to investigate because the House is in session and things are very busy. It was a letter from a home that services my riding—it's not in my riding but it's in the riding next door—called Ina Grafton Gage. They were writing to the Premier complaining that the physiotherapy services in that home have been cut from 150 hours a month to 100 hours a month, and asking the Premier what he's going to do about it—cc: Michael Prue. What's happening there? Why is this happening?

Ms. Sauvé: Let me touch on that a little bit. This is where you start getting into some barriers based on building on a system that was already there that wasn't necessarily working well in the first place. You had a previous system where the maximum number of visits per year was 150, being paid by government at \$12.20 a visit, which is very much under the market rate for physiotherapy visits, but that was what it was paid at. That was 150 visits at \$12.20 a shot, in a sense. Then the government looked at what was the actual average that was required, and it's trying to—and I praise the government for trying to do this—look at equity. You had some homes that were receiving an inordinate amount of services, a large number of services, you had many homes that had no services at all and then you had some homes, and a fairly large number of homes, again, that had only a small amount of services.

If we're looking at having those services around the province with some level of equity, we have to look at a different way of funding those services. If on the average, someone in a long-term-care home needed approximately 70 visits a year, and not every one of the people in long-term-care homes needs those services, then the actual maximum ended up being set at 100 visits with a mechanism to increase that to 150 if need be, and that mechanism was just announced about two weeks ago. Then if you have used up your 100 or so visits or you're up to 100 visits now, what you're hearing now is someone having to cut back on those services. But it's not tech-

nically only that the government has put in a procedure for people to increase to 150 for this fiscal year, if need be, but they've also put in place a different way of funding it. What they're trying to address now is a per-bed, per-annum allocation per home, so that every home, based on the number of beds, will get a certain number of funds to purchase those services or to hire those services, and that contract will be between the provider and the government and the government and the home.

Mr. Prue: Do you agree with this?

Ms. Sauvé: Do I agree with this?

Mr. Prue: Yes.

Ms. Sauvé: I think that, one, it achieves a level of equity between the homes; two, it allows for a block sum for the physiotherapist to be able to go in and evaluate what are the needed services within that home and to address that; and it also gives a mechanism to increase the number of visits, if need be, based on need. I think it allows us to start making some of those tough choices between a small number of people getting lots and a lot of people getting nothing.

Do I agree with it? I think it is a policy that will allow for some equity. It is a new funding mechanism that will allow for professional judgment and autonomy in looking at what the actual needs are individually in the homes. Do I think the funding level that is being suggested is adequate? I don't think I can answer that question, and I don't think OANHSS and OLTCa can answer those questions until we go out and try it and see how it works.

The Chair: We'll move now to the government.

Mrs. Mitchell: Thank you very much for your presentation. One of the things I would like you to better explain to me or expand on is, as we move forward—and I'll start with the assumption that there has been movement on long-term care and you are working through the situations. From the area I represent, we have virtually no care, so I welcome the changes that are happening that, in my opinion, were long overdue. So if I start with that basis, then how do you see things moving forward in order to provide an equitable service throughout the province for the community-based programs?

Ms. Sauvé: We've always been challenged in coming up with the new model and then we've always been challenged in terms of trying to look at where we've come from and how we disassemble and reassemble so that this has some level of equity and accessibility. I think there are some gap measures that we can put in. One of them would definitely be looking at hospital-based services and ensuring that we stop the bleeding in that area in terms of access. Hospitals have some level of geographic coverage for Ontarians. There's a hospital in every area, so you at least preserve the services that are currently being provided or augment those services to

meet some needs so you have a geographic kind of spread.

If we look at the opportunities within family health teams—because these services that we're talking about in many cases are primary health care services. So if that is the case, then an integration of physiotherapy and the support from the government to move forward with physiotherapy being an integral part of family health teams would look as well at a regional solution to a problem of equity.

As well, we have to look at all facets of what services are available in the community. It might be a solution for a LHIN to decide how many services they wish to purchase of physiotherapy per year and put that out to tender to the private sector in the sense. We have a large private practice sector as well that could be looking at integrating within that and could provide those services on behalf of a LHIN.

So there are a lot of different ways of approaching the problem, but I think my first point would be, let's stop, in a sense, some of the cuts that are happening at the hospital level, those silent cuts that no one hears about, and then look at the opportunities perhaps within family health teams and then as well to the LHINs to help them understand the need to ensure that equity.

The Chair: Thank you both. Thank you for your presentation this afternoon.

Ms. Sauvé: Thank you for your time. Merry Christmas.

SUBCOMMITTEE REPORT

The Chair: I believe we have some housekeeping. Mr. Arthurs.

Mr. Arthurs: I have a motion for you, Mr. Chairman:

Your subcommittee met on Thursday, December 15, 2005, to consider the method of proceeding on pre-budget consultations 2006 and recommends the following:

(1) That the research officer provide a summary of the presentations to the committee members by Friday, February 10, 2006.

(2) That the research officer provide a draft report to the committee members by Friday, February 17, 2006.

(3) That in order to facilitate the committee's work during report writing, proposed recommendations should be filed with the clerk of the committee by 9 a.m. on Monday, February 20, 2006.

(4) That the committee request authorization from the House to meet for the purpose of report writing on Monday, February 20, 2006.

The Chair: All in favour? Carried.

We stand adjourned.

The committee adjourned at 1756.

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

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Vice-Chair / Vice-Président

Mr. Phil McNeely (Ottawa–Orléans L)

Mr. Wayne Arthurs (Pickering–Ajax–Uxbridge L)

Mr. Toby Barrett (Haldimand–Norfolk–Brant PC)

Mr. Pat Hoy (Chatham–Kent Essex L)

Ms. Judy Marsales (Hamilton West / Hamilton-Ouest L)

Mr. Phil McNeely (Ottawa–Orléans L)

Mrs. Carol Mitchell (Huron–Bruce L)

Mr. John O'Toole (Durham PC)

Mr. Michael Prue (Beaches–East York / Beaches–York-Est ND)

Mr. John Wilkinson (Perth–Middlesex L)

Substitutions / Membres remplaçants

Mr. Jim Brownell (Stormont–Dundas–Charlottenburgh L)

Also taking part / Autres participants et participantes

Mr. Tim Hudak (Erie–Lincoln PC)

Clerk / Greffier

Mr. Trevor Day

Staff / Personnel

Ms. Anne Marzalik and Mr. Larry Johnston, research officers
Research and Information Services

CONTENTS

Thursday 15 December 2005

Pre-budget consultations	F-3
Ministry of Finance	F-3
Hon. Dwight Duncan, minister	
Mr. Pat Deutscher, assistant deputy minister and chief economist, office of economic policy	
Insurance Bureau of Canada	F-11
Mr. Mark Yakabuski	
Ontario Home Builders' Association	F-13
Mr. Victor Fiume	
Mr. Brian Johnston	
Co-operative Housing Federation of Canada, Ontario region	F-16
Mr. Harvey Cooper	
Canadian Cancer Society, Ontario division	F-20
Mr. Peter Goodhand	
Ms. Rowena Pinto	
Canadian Automobile Association	F-23
Mr. Kris Barnier	
Ontario Campaign 2000	F-27
Ms. Jacquie Maund	
Mr. Dick Stewart	
Canadian Chemical Producers' Association	F-30
Mr. David Podruzny	
Mr. Norm Huebel	
Take Our Seniors Off Welfare Campaign	F-33
Ms. Naomi Berlyne	
Ms. Helle Hulgaard	
Ontario Association of Non-Profit Homes and Services for Seniors	F-37
Ms. Donna Rubin	
Toronto Board of Trade	F-39
Mr. Cecil Bradley	
Ontario Coalition for Social Justice	F-42
Mr. John Argue	
Ontario Physiotherapy Association	F-46
Ms. Dorianne Sauvé	
Subcommittee report	F-49



F-3

F-3

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Deuxième session, 38^e législature

Official Report of Debates (Hansard)

Wednesday 25 January 2006

Journal des débats (Hansard)

Mercredi 25 janvier 2006

**Standing committee on
finance and economic affairs**

Pre-budget consultations

**Comité permanent des finances
et des affaires économiques**

Consultations prébudgétaires

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRS****COMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES**

Wednesday 25 January 2006

Mercredi 25 janvier 2006

The committee met at 0917 at the Pioneer Centre, Atikokan.

PRE-BUDGET CONSULTATIONS

The Chair (Mr. Pat Hoy): The standing committee on finance and economic affairs will now come to order. The committee is pleased to begin our pre-budget hearings here in Atikokan.

TOWNSHIP OF ATIKOKAN

The Chair: Our first presenter this morning is the township of Atikokan. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that, and if you speak, I would ask you to identify yourselves for the purposes of our recording Hansard. You may begin.

Mr. Dennis Brown: First of all, we'd like to thank you and your committee for coming to Atikokan. We're very appreciative of this opportunity. With me today are our town manager, Warren Paulson; our treasurer, Andre Morin; and the chair of finance, Councillor Marge Lambkin. We have information on the screen, as you will see, that we'll refer to as we go through this presentation.

We'd like to start by talking about the economy in northwestern Ontario in general, and this is probably something that everyone is aware of. It's in a crisis mode, and Atikokan's dilemma symbolizes the economic trauma that is affecting the entire region. A series of powerful economic forces have come together to convert the ongoing gradual long-term decline of northwestern Ontario's population and economy into what can only be termed a perfect economic storm, and you have the list of factors contributing to that. The northwest continues to decline, Atikokan probably a little more so. It's estimated that between 1996 and 2005, we probably lost about 800 people in our community.

However, to this list of market forces must be added the negative impact of our own provincial government's policies. First, high electricity costs have crippled our forest industry because of the energy intensiveness of pulp and saw mills. In Ontario, the cost increase has been as much as 30% over the last few years. Moreover, the closure of Atikokan's coal plant eliminates a cost-effective and reliable source of energy for our resource industries. Given the location disadvantage of northwestern Ontario industry because of the absence of densely populated

local markets, cheap energy has traditionally provided an offsetting competitive advantage to our area. This is no longer the case, and closure of our coal plant makes the region more dependent on energy imports and threatens the energy security of all its industry. Second, inadequate wood and fibre supplies resulting from lack of access to new forest areas is squeezing mills out of production. A related issue is the transport cost of accessing that fibre supply, and support for road infrastructure.

Just before we leave that slide, we'd like to point out that producing energy from coal is the second-cheapest source of doing so. We can produce energy in northwestern Ontario at about 3.5 cents a kilowatt. In our handout, you will note that one of our major employers, FibraTECH, is paying nine cents a kilowatt. On the sheet that looks like this, you will see a summary of the bill from December 15, 2005, compared to December 15, 2004. They have spent millions of dollars in trying to become more energy-efficient, and you will see, as this information points out, that the energy consumption is reduced by 68%, and the cost is only 17% reduced. They pay roughly \$81,000 every two weeks. It's going to be difficult to sustain that.

This slide shows you what's been happening in northwestern Ontario, according to Stats Canada. Up until 1993, we were actually increasing, we were doing quite well, but since then it's been downhill. Total employment in this region has declined by approximately 9,000 jobs since 2003, a percentage decline in employment of nearly 7%. The graph shows 2003 compared to 2005.

We'll go to the manufacturing part, and that's where our forest industry makes up most of the jobs. You will see that we have lost over 2,700 jobs, an 18% decline. If you look at our predicament from a southern Ontario point of view, it's like losing one fifth of your jobs. If one fifth of the manufacturing jobs in southern Ontario were to disappear, you would be looking at over 200,000 jobs. We're not crybabies for lamenting the economic devastation that has been inflicted on us. After all, we are being forced by our own provincial government to engage in a brute struggle for economic survival. We cannot accept our own government wielding the knife of economic decline by closing our main employer, hindering access to wood fibre and raising the cost of energy.

To give you a bit of information on the impact of closing our thermal generating station, we have 90 direct

jobs, and a recent community impact study paints a grim portrait of a catastrophe for our little community nestled on the banks of the Atikokan River. The loss of 90 well-paying direct OPG jobs, combined with the induced loss of another 80 jobs, will lead to a steep drop in population and income. Between 2005 and 2010, the closure of our coal plant by the provincial government will result in a 20% decline in Atikokan's population; 700 people are projected to leave the community if nothing changes. What would the reaction of the Toronto Star be if 20% of Toronto's population left because they could not find work? As well, there will be an 11% decline in community after-tax income. We should point out as well that the OPG plant pays approximately one third of the property taxes that we collect each year, and that's a substantial amount.

So those are some of the challenges we're facing here, and now we have some solutions.

We feel that it would be in order if we were to revisit the concept of regional tax incentives. The northwestern Ontario economy needs the jump-start of a broad-based tax incentive zone; that is, designate the districts of Kenora-Rainy River and Thunder Bay as a special tax region within the province of Ontario. The special tax region would have lower provincial rates apply for sales tax, personal income tax and corporate taxes. That would provide a real and broad-based incentive for a depressed economic region. The rates for provincial sales tax, income tax and corporate tax should be set 20% lower than the rest of the province, as that would provide incentives for industry and jobs to locate here. We feel that right now the per capita incomes in northwestern Ontario are about 20% below the provincial average, and this change will create a regional tax burden that will keep up with the regional resources. A broad lowering of the provincial tax burden in the northwest will provide incentives for consumers to spend and businesses to expand.

The second recommendation we're going to make is that we need a northwestern Ontario act, or some form of governance better than the present system. If Toronto can be granted special status in Ontario because the city government does not have the power that its citizens believe it needs to make the changes that Torontonians want, why can't northwestern Ontario be granted the institutional tools that might help foster its economic development? If Nunavut can be granted territorial government and told that some day it might be a province, why can't the federal government join Ontario in creating new institutions for northern Ontario? It is time for a northwestern Ontario act that creates regional governance institutions for the northwest within Ontario that will enable it to set its own energy, transport and economic development policies. The provincial government should immediately take steps to create regional government institutions for northwestern Ontario that provide local sovereignty on regional economic issues, as well as the necessary fiscal support. As part of solving Ontario's fiscal imbalance with Ottawa, the Ontario government

should make the case for special equalization payments to northern Ontario, which would then be provided to northern regional governments as a dedicated revenue source.

Our third suggestion is on energy. Northwestern Ontario's success as a resource economy and Ontario's historic economic success as Canada's manufacturing heartland have been based on access to cheap energy. As the Ontario government continues to implement its plan to close the coal-fired generating stations that provide nearly one third of its generating capacity, the resulting higher cost of electricity will subject Ontario's economy to further stress. While the provincial government's policy is well intentioned given their perception of environmental concerns, we ask that the government honour its commitment to not close the Atikokan power generating plant until alternatives to compensate for the lost employment from that plant are in place for Atikokan and sufficient alternate regional sources of electricity generation are in place for the region. Fully explore those opportunities that will allow conversion of the coal plant to alternate fuel sources so as to both help Ontario's energy future and help us maintain the economic lifeblood of our community.

In closing, we must say that we are under no illusions as to the magnitude of the crisis facing Atikokan and northwestern Ontario. The spate of recent mill closures and the accompanying out-migration make it seem like the lights are going out across our region. Addressing the economic problems of our region will require courage, imagination and hard work. We will do so because, despite the existence of those who might scoff at our pretensions or our way of life, we love this part of the world. This vast and magnificent land is our home. We invite the provincial government into our home to provide an opportunity to become part of the solution rather than a contributor to the problem. We invite the provincial government to take immediate action.

0930

The Chair: Thank you. We'll begin the first round of questioning with the official opposition.

Mr. Tim Hudak (Erie-Lincoln): Thank you, Your Worship, councillors, and all those in attendance. I know my colleagues will have questions, particularly on the energy side. I'll have a brief question, but first I want to thank Mayor Brown for all his hard work and his very strong advocacy for this community and for northwestern Ontario. As well, you've been very helpful in spreading the word across the community about this committee coming here to listen directly to the folks of Atikokan. So, Your Worship, thank you very much for all your hard work.

Mr. Brown: Thank you.

Mr. Hudak: I have one quick question of clarification, and my colleagues have questions. With respect to the future of the generating plant, you talked about an alternative of trying to get an alternative fuel source. The first preference of Atikokan would be to maintain coal

production and continue to invest in cleaner coal technology.

Mr. Brown: Absolutely. That is so important. We feel that clean coal technology is out there. Just in the last month we've received information that in Texas they're going for a zero-pollutant emission plant. So the technology is being developed. Out in Alberta, the home of natural gas, they're switching to coal. I believe that 80% of the production of power out there is in coal. It just amazes us and we fail to understand why Ontario is doing what it's doing.

Mr. John Yakabuski (Renfrew-Nipissing-Pembroke): Thank you very much, Mayor Brown, for joining us. The government spoke very strongly about consultation and taking into account the views of the north and the needs of the north. We know it wasn't an election promise, but leading up to that and prior to this decision, did the Liberal Party and/or the government have consultations with this community as to the impact that the closure of this plant would have, and did they receive any feedback from you?

Mr. Brown: That's one of the sore points about what's happening. The people of Atikokan were not consulted and, as far as I know, the people of northwestern Ontario were not consulted. That's why the governance model needs to be changed, so the people who live in these communities, who live in northwestern Ontario, have more of a say in what is happening.

We read about some of these things. When the Premier was in opposition, we communicated with him because we had read the standing committee's report on what was possibly going to happen. But I don't think there is anyone here in this community who would believe that it would ever go forward with this plan.

The Chair: Now we will move to the NDP.

Mr. Michael Prue (Beaches-East York): I have a few questions.

In terms of the coal technology—obviously it does not exist in this location at this time—have you or anyone on the town council looked into how long it would take to adapt the existing plant to a coal-burning facility similar to what they're building in Texas? I understand that there is a whole mood to get rid of dirty coal, but how long would it take to get clean coal?

Mr. Brown: The way we understand it, they can put scrubbers on out there and help to clean it up. That's roughly \$70 million. There will be other people making presentations on the energy part before the day is out who can tell you how long it will take. And there are selective catalytic converters that will reduce emissions.

At one time they used to monitor our plant, I think when it was first opened. From 1985 to 1991, the Ministry of the Environment had monitoring stations. They had one at Raft Lake, they had one about 40 miles down the road near Seine River and they had one right at the plant. But after 1992 they said there was no need to continue monitoring because there was sign of NO_x or SO_x being out there. Of course, as far as carbon dioxide is concerned, we're a carbon sink here. We're surrounded by

trees, and trees need carbon dioxide to grow. So there's a lot of good information that's there.

Mr. Prue: Okay. You're looking for regional tax incentives.

Mr. Brown: Yes.

Mr. Prue: That's eminently doable. Have you had any discussions with provincial treasury officials about that? Have they ever approached you? Have you ever approached them?

Mr. Brown: No. We've had discussions but we haven't made any formal presentations. We're actually hoping that our umbrella that serves northwestern Ontario, NOMA, will agree to that kind of idea. We have to have some more discussions internally before we carry that forward. We're hopeful that they will accept that idea. If not, our community will be pursuing it.

Mr. Prue: In terms of the City of Toronto Act—I'm from Toronto; it's a huge city—one of the things it's going to do is allow the city to tax in certain areas like theatre tickets; it's going to allow them to tax for parking. I don't see that being the kind of thing that your town council can use.

Is there some other tax mechanism you would like to get, separate and apart, in order to help raise additional revenues to spend on your town, or are you just looking for—I have a conundrum here. You obviously need money in order to develop, yet you're looking for tax incentives, which would take away money, I suppose, from the municipality.

Mr. Brown: Just a quick comment, and then Warren wants to make a comment: We don't want to tax any more. We know that Ontario is one of the most heavily taxed regions and we have to cut down on our taxes.

Mr. Prue: Absolutely.

Mr. Brown: So that's the predicament we're in. But we feel that by reducing the 20% on the personal income tax, the corporate tax and the GST, that will be an incentive for people to locate here.

The Chair: We'll move to the government.

Mr. Wayne Arthurs (Pickering-Ajax-Uxbridge): Thank you, Mayor Brown, for taking the time this morning.

I know from my municipal days that 10 minutes isn't very long to make a presentation. So, rather than asking a lot of questions, I'm certainly interested in having you explore a little more fully, whether it's the issue of the tax incentive region or other matters that are of interest. I know you have your staff and the chair of your finance committee, so rather than my taking up your time, why don't I give you a couple of minutes more so you can expand on any issues for us that you want to? We're interested in hearing it.

Mr. Brown: We've talked to our MPP quite a bit about this. It seems that the information is out there, Wayne, but we're having trouble making headway on a lot of this stuff. One other issue—maybe Andre and Warren can talk about it—is the new system of financing in Ontario, the Ontario municipal partnership fund. On that, we're projected to lose \$400,000 by 2008 unless something changes. For years we were overtaxed, where

our policing costs—our costs in this community were at least \$700 a household, and communities bigger than ours, like Sioux Lookout and even Parry Sound, were paying \$90 a household. So there was quite an imbalance. Through that, we overpaid millions of dollars in the years that it was out there. It's finally been corrected, but there have been changes made elsewhere in the municipal partnership fund, so we're not much further ahead.

Mr. John Wilkinson (Perth—Middlesex): Thank you, Your Worship, and thanks so much for such a warm welcome. We've had just a wonderful time. We got here yesterday and the red carpet has been rolled out for us. We appreciate that.

Just a quick question: Could you give us an update on this bioenergy task force? I guess there's a report coming out. I see there are three assistant deputy ministers who are part of that, and you're part of that committee. Could you just give us some feedback on how that's working so we can take that back?

Mr. Brown: Yes. Working with Bill Mauro, our MPP, we've convinced the provincial government to fund a study to look at keeping the plant operating using alternative sources of fuel. One of the fuels is peat. We're also looking at municipal waste and wood waste. A company from Sault Ste. Marie, Forest BioProducts, has been hired. They've already given us a first draft report and they're going to give us more information, but they hope to have it completed by the end of March. They are looking at all these issues out there as a way of keeping the plant operating.

The Chair: Thank you for your presentation this morning.

Mr. Toby Barrett (Haldimand—Norfolk—Brant): On a point of order, Mr. Chair: We have an opposition motion that the Ontario government not close OPG Atikokan until we see the investment in clean air and alternative feedstock.

The procedure for motions: Do we hand them in now?

The Chair: We would appreciate it if they were written, and they will be discussed at report-writing time.

Mr. Barrett: At the end of the hearings?

The Chair: Yes, at the end of all the hearings, at report-writing.

Mr. Barrett: Okay. Thank you.

The Chair: So if you could give the clerk a copy, we'd appreciate it.

0940

ONTARIO DIABETES ACTION PARTNERSHIP

The Chair: I would call on the Ontario Diabetes Action Partnership to come forward, please.

Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard. You may begin.

Ms. Terry Anne Thomson: Good morning. Thank you, Mr. Chair and members of the standing committee

on finance and economic affairs, for providing the Ontario Diabetes Action Partnership, ODAP, with this opportunity to appear before you today.

My name is Terry Anne Thomson. I am an insulin pump user and the coordinator of ODAP. ODAP is an organized partnership of diabetics, physicians, diabetes nurse educators, hospitals and non-profit organizations working together towards a common goal of securing access to government funding for insulin infusion pumps and supplies. ODAP partners believe in an equal quality of life for all Ontario children affected by diabetes.

On behalf of our province-wide partners, I would also like to take this opportunity to thank Mr. Michael Gravelle, the member for Thunder Bay—Superior North, for his support with the reintroduction of a private member's bill to amend the Health Insurance Act by making the provision of insulin infusion pumps and pump supplies insured services under the act. The ODAP partners were very pleased that the members of the Legislature gave unanimous support for Bill 15 at second reading on December 1, 2005.

Members of the committee, I would like you to take a moment to picture in your mind that you are looking at an emergency room: the hustle, the bustle, quick movements, and the heart-wrenching fear on the face of an insulin-dependent child lying on a gurney, hoping that the intravenous glucose they are receiving will bring their blood sugar level up enough that they will not feel so confused, that the tremors in their arms and legs will stop, and that they can go home to their own bed. This child is tired, has a brutalizing headache and is at battle with their body. At the same time, they are scared that this intravenous glucose will raise their blood sugar out of control and they will have to work extra hard over the next 24 hours to get back to stabilized blood glucose levels. This child faces the fact that he or she will miss school days and will have to work extra hard to catch up with the rest of their class.

This child is one of the 6,500 Ontario children afflicted with diabetes, many of whom suffer with the disease when it is raging out of control and the methods of treatment presented to them just don't work.

Have these children been overlooked by government? To the children and their families, they feel that they have been. They face diabetes-related complications resulting from having uncontrollable blood sugar. Their future holds the very real potential of limb amputation, dialysis, kidney transplants, heart attacks, strokes and blindness. The total costs of these complications can be staggering. One child with type 1 diabetes could cost the medical system more than \$200,000 due to complications during their lifetime.

Type 1 diabetes is not preventable. No child or adult has made choices that resulted in their being diagnosed with insulin-dependent diabetes. It is caused when the pancreas is incapable of making insulin, and all patients with type 1 diabetes must rely on insulin for survival. Most often, type 1 diabetes occurs in those younger than

30 years of age; however, it can develop in older patients as well.

This is a complex disease that impacts a person's life in many ways. As a child, the ramifications of diabetes impact all aspects of your life. Diabetes is very difficult to control, especially in children. The regimen of multiple daily injections and blood glucose monitoring impacts not only the child's daily life but that of their family as well. ODAP is concentrating on obtaining government funding for insulin infusion pumps and supplies for children with type 1 diabetes, as they will benefit the most from having access to pump therapy both in the immediate future as well as over the long term.

We encourage the government to recognize the benefits of insulin pump therapy. This small device operates as an insulin delivery system. It's powered by a small battery. In this particular pump it's a triple A, so you can get it anywhere. It has a small internal computer chip that allows the user to program and control exactly how much insulin is delivered through this infusion set, which is attached to my body at all times.

The insulin infusion pump operates continuously, delivering insulin 24 hours a day. The infusion set, which transports the insulin from the machine to my body, must be replaced about every two to three days. An insulin pump user works with their medical team, determining how much insulin the pump will deliver.

With an insulin pump, children have the freedom to participate in physical activities when they want, usually without having to eat first. They don't have to use needles to inject themselves or have their parents or teachers give them multiple daily shots of insulin. With diabetes, something as simple as being stuck in traffic can prevent you from getting your insulin injection at the correct time. With an insulin infusion pump, normal, everyday occurrences such as changes in eating times, spontaneous activities and being active won't jeopardize your blood glucose stability, affecting your health.

Documentation exists that clearly outlines the benefits of the infusion pump. Currently, it is the best mechanism for the prevention of the complications of diabetes by accurately delivering insulin in order to accommodate normal eating patterns, work schedules and a healthy, active life. Studies have shown that the use of an insulin pump in children reduces the number of hypoglycemic events by as much as 50%. The child in the emergency room described earlier was experiencing a hypoglycemic event. This happens when blood sugar becomes too low, and diabetics can experience a range of reactions, including tremors, hunger, sweating, difficulty concentrating, blurred vision, dizziness, convulsions or even loss of consciousness. Insulin infusion pump therapy helps to significantly reduce, and in some cases prevent, these episodes by maintaining much better control of blood glucose levels on a continuous basis.

For a diabetic child using insulin infusion pump therapy, emergency room visits like the one previously described, as well as hospital admissions, are often reduced to the point where these children do not have to visit hospitals

for extended periods of time, possibly even years. Compared to the weekly or monthly trips they make when on multiple daily injections, this would be a great improvement. Without question, when shortages of beds are the norm, it would be worth the investment, to this government and to the medical system, to assist children afflicted with diabetes with the means to better manage their health and prevent complications.

Diabetic patients account for more than one half of all new dialysis cases, 70% of all amputations and 32% of all heart attacks. These result in a cost of hundreds of millions of dollars to the Ontario government. For example, it costs \$65,000 a year for kidney dialysis for one patient, and \$74,000 for a limb amputation that may be preventable by the use of pump therapy. The use of an insulin infusion pump can help in the effort to prevent these types of complications by better stabilizing blood glucose levels, especially in children.

Of the 6,500 children in Ontario with type 1 diabetes, approximately half would be considered by their physicians as suitable candidates for insulin infusion pump therapy. Some children would not be considered as good candidates for this type of therapy due to a variety of reasons or concerns associated with wearing the device, difficulty with inserting the infusion set, which must be placed under the skin every two to three days, or because they are currently satisfied with their life using multiple daily injections, even if it does offer some restrictions. Of these 3,250 potential candidates, it is likely that approximately half already have access to insulin infusion pump therapy as part of private health coverage. The remaining 1,625 children would not have access to insulin infusion pump therapy without undue financial hardship to their families. The cost of providing these children, who would be recommended as suitable candidates for pump therapy by their physicians, with access to insulin infusion pumps and supplies would be approximately \$15 million.

Currently, insulin infusion pumps are not covered by government health plans or programs, and are only covered by select third party insurance policies. The cost of an insulin infusion pump is about \$6,600, with the cost of supplies averaging around \$3,600 per year. This is a small price to pay when you weigh this cost against the cost of complications, emergency room visits and admissions to hospital for children with insulin-dependent diabetes.

ODAP is requesting that this government provide \$15 million in funding for the provision of insulin infusion pumps and pump supply coverage for children in Ontario. This is an investment in the health of these children—our future. They can become healthier and more productive, while reducing the long-term costs to the medical system. How many investments could the government make which will pay off to this degree, not only in the immediate future but extending well beyond the foreseeable future?

0950

During the debate of Bill 15, all of the speakers acknowledged that the benefits to both the life of a diabetic patient and to the health care system clearly outweigh the initial costs of making insulin infusion pump

therapy available, as prescribed by the physician. During the debate on December 1, one of the members stated, "Bill 15 is just a logical extension of the legacy here in Ontario of Banting and Best." Mr. Chair and members of the finance committee, you have the opportunity to continue this legacy by supporting our request.

We will accept questions at this time.

The Chair: Thank you. We'll begin this round of questioning with Mr. Prue of the NDP.

Mr. Prue: Thank you very much, and a good presentation. It is puzzling to me, having seen Mr. Gravelle, having listened to the bill, having heard all-party debate, that the government has not, to this point, seen fit to make this money available. Have you had discussions with ministry officials?

Ms. Thomson: Yes, we have.

Mr. Prue: Why have they said they're not doing it?

Ms. Thomson: I personally started a charity 10 years ago that has been providing insulin pump assistance to people who could in no other way afford it. Until recently, even though it is the best method for treating people, it wasn't really recognized by the government that way; it wasn't really recognized that way by the physicians. It was considered a Cadillac. At this point, it's being considered the vehicle to get through your life. That's the difference. It's education on what this device does.

Mr. Prue: Have they held out any hope that they may include this in the budget? I know we're going to make recommendations.

Ms. Thomson: We see light at the end of the tunnel, although we don't know; it depends on what else comes up that's really critical to the province at the time.

Mr. Prue: I think that's all my questions.

The Chair: Okay, then; thank you. We'll move to the government and Mr. Mauro.

Mr. Bill Mauro (Thunder Bay-Atikokan): Thank you, Terry. We had an opportunity to talk about this last night for about half an hour. We ran into each other in the restaurant. I got my education last night and understood how serious and personal an issue this is for you. I wonder if you can tell us a bit of the history of this initiative: when this type of bill was first introduced, who introduced it and how many years ago that was, and that kind of information, perhaps.

Ms. Thomson: My belief is that it was about five years ago; it could be a little bit longer. The original bill was introduced by Dwight Duncan, now the Minister of Finance. It went through the motions. There was definitely a lot of debate, which brought the issue to the forefront, and then it was dropped. Michael Gravelle and Ernie Parsons worked together to reintroduce it as a new bill, Bill 55, in 2004. When the government reconvened this year, it was dropped and then reintroduced again in December as Bill 15.

Mr. Mauro: So you think the first time it was introduced was sometime in the mid- to late 1990s?

Ms. Thomson: It was four or five years ago. It was not that far back.

Mrs. Carol Mitchell (Huron-Bruce): One of the concerns that the province will be dealing with is the increase in diabetes generally, throughout the province. I know that what you are doing with regard to the pump is different than what you've presented today, but I would like to hear your comments on what you feel we can do as a government to stop the rapid increase of diabetes throughout the province.

Ms. Thomson: First of all, we're with the Ontario Diabetes Action Partnership, and our mandate is for insulin pump funding.

Mrs. Mitchell: I know, and I started off that way, and I do appreciate that.

Ms. Thomson: However, I'm not a Canadian Diabetes Association representative. That's their mandate and what their presentation is right now. It would be unfair for me to speak to their campaign.

Mrs. Mitchell: That's fine, and I thank you for that.

I've had presentations by your organization numerous times in Toronto. For all the good work that you've done, thank you.

Ms. Thomson: Thank you.

The Chair: We'll move to the government. Mr. Hudak.

Mr. Hudak: Well, thank you, Chair.

The Chair: Or the official opposition. Former government.

Mr. Hudak: That's in Hansard now, Mr. Chair.

Thank you very much for the presentation and for the obvious passion with which you have approached this issue. Are you from Burlington?

Ms. Thomson: I'm based out of Burlington.

Mr. Hudak: Thank you for making the trip here to Atikokan to present to the committee.

A couple of things: When you meet with Ministry of Health officials and have your debates with them, do they agree with the premise in terms of the cost of the pump and its effectiveness?

Ms. Thomson: Yes, they do.

Mr. Hudak: So it's just of matter of, do they have the \$15 million or so to provide for it?

Ms. Thomson: Exactly.

Mr. Hudak: We in Canada often boast that we have the best health care system in the world. In your background document you indicate that there is a significant number of countries that actually do supply the insulin pumps or help to cover them.

Ms. Thomson: That's correct.

Mr. Hudak: Do you want to just put some of those countries on the record, maybe, for the committee's benefit? It's in the background document.

Ms. Thomson: The UK, Germany, Switzerland and the United States are at the top. That being said, the highest usage rate is 21% of type 1 diabetes: Type 1 diabetes is about 10% of the diabetes population in Ontario. So even the full extent of this campaign would not be as much as—it's not a big black hole of money. There is a prevalence of diabetes for multiple reasons. However, type 1 diabetes is not growing in leaps and bounds as much as type 2.

Mr. Hudak: The countries we often compare ourselves to already have some degree of funding for insulin pump therapy.

Ms. Thomson: Yes, they do.

Mr. Hudak: You also said that the aboriginal population has access to this.

Ms. Thomson: Yes, they do. I'm with the north-western program. It was developed for them. Actually, the aboriginal population has a separate strain of diabetes, which is extremely difficult to treat. There are actually 17 different strains of diabetes. There's the aboriginal, and then there's one that comes from Europe. There are hotbeds as well, like the Niagara Peninsula, the Ottawa area and northwestern Ontario, where we just don't seem to have any control over it, and it could be one of those strains that do not have any success with normal methods of treatment.

Mr. Hudak: I'm sorry; where is the funding stream for—

Ms. Thomson: For the northern population? It comes from the Ontario government.

Mr. Hudak: Does it? Okay.

Mr. Bill Murdoch (Bruce-Grey-Owen Sound): Just one thing: I'm sure, with the change of government in Ottawa, that we'll get our fair share now and the government here in Ontario will be able to put some money into it. Things will change with the help of the NDP up in Ottawa. I'm sure this will make it much better.

The Chair: Thank you for your presentation this morning.

ATIKOKAN ROMAN CATHOLIC SEPARATE SCHOOL BOARD

The Chair: I call on the Atikokan Roman Catholic Separate School Board to come forward, please.

Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of Hansard. You may begin.

Mr. John McInnis: I'm John McInnis, chair of the Atikokan Roman Catholic Separate School Board.

Mr. Wayne McAndrew: My name is Wayne McAndrew. I'm the principal of St. Patrick's School, here in Atikokan.

Ms. Teresa Larson: I'm Teresa Larson, secretary-treasurer for the Atikokan Roman Catholic Separate School Board.

Mr. McAndrew: I've been asked to make the presentation to you, and at the outset I'd like to express our appreciation at having the opportunity to be here. It's not often that a small education authority has the chance to make a presentation to a committee of this stature, so we're greatly appreciative.

Just a little bit of background, who we are: This school board operates just one school, St. Patrick's School, and the enrolment right now stands at about 192 students. Over the last five or six years, just as Atikokan has been losing its population, we've been decreasing slightly each

year. We have 12 and three-quarter full-time teachers, including the principal.

Under the Education Act, we're defined as an education authority. We're not a school board or district school board; we're an education authority. There are different sets of legislation and different funding formulas that influence education across the province. Just for your information, education authorities are typically found in remote and rural areas.

Academically, I'm pleased to say that the school has a reputation for high achievement and several times has attained the highest scores of any board on provincial tests; these are the EQAO tests that grades 3 and 6 write. You should also note that currently the school has been identified by the Council of Directors of Education, CODE, as a demonstration school, and we will be hosting principals and teachers from across the north to observe and develop exemplary teaching practices.

1000

Some financial background for you: Prior to 2002, education authorities received a start-up budget each school year and then applied to the Ministry of Education for special approvals. So when you got your budget, it was a start-up, and as needs evolved you would make application to your regional office to receive funding. In 2002, a funding model was implemented and special approvals were not continued. This applied to all education authorities.

For most education authorities, the budgets actually increased with the formula budget. We here in Atikokan had a slight decrease in funding, because we're a larger school; 192 students is a large education authority. Most of them will be 30, 40, 50 students, so we're quite large. The characteristics of the funding model tend to favour costs associated with small schools, and we're large relative to most education authorities.

One advantage for us, though, was that the funding model gave us stable funding. We could predict and we could plan. Even though we took a hit in terms of funding, we weren't where we were pre-2002, when you got a start-up budget and had to really bang on doors to finish off your budget. For us, that sure made a difference for long-term planning.

With that reduction in 2002, we did have some layoffs. What we also did was negotiate the collective agreements rather carefully. Up till 2002, teachers at my school earned exactly the same money, dollar for dollar, as the public systems in the area. What you'd like to know is that by August 2004, the maximum salary available to a teacher within our education authority was \$71,650, whereas elsewhere it was \$76,000. While we took the funding hit, we tightened up on collective agreements to make up for that shortfall.

Now we come to the issue: Across Ontario, teacher-board contracts expired in August 2004. For most school boards, negotiations were continuing after the expiry of those collective agreements, and for most, they concluded in August 2005. Our Minister of Education released a letter to boards and to unions in May 2004,

supporting four-year agreements and salaries equal to coterminous boards. That was his wish, and that was embraced by school boards and unions across the province. Our school board reached an agreement with its union and met the coterminous salary levels. And by the way, it was retroactive; that's important to note.

What were the impacts? As I said, with the funding model, we did a lot of planning and all the information we had received to date from the ministry suggested we should hold back and be prepared for 2% salary increases in 2004-05. We did the same for 2005-06. However, that never transpired. The actual increase for the 2004-05 year ended up being 8%. In 2005-06, it became 5%. In terms of money, in 2004-05 this increase cost the board \$56,100, and this year it's approximately \$58,000. We've tried to manage this. We've laid off a social counsellor and cut back the hours of custodians and education assistants. Instructional services and supplies—that's your big discretionary budget—has been reduced by 50%, and this hits right into classrooms. Examples of instructional services—I think we all know what they are—are instructional supplies, computer equipment, textbooks, field trips; I could make the list go forever. While we've done this, this is not a solution. This has an impact on our students. This has a huge impact. The scary part is that this is a long-term impact if we don't address it. It will compound over time; it's unavoidable.

I've done a couple of quick graphs just to show you the overview, the percentage impacts. We did plan for 2% increases, but with the minister's letter, of course, that fell apart right across the province.

In terms of dollars, you can see on the next page what the impact is. Right now, that impact is \$114,000. I know that's not a big deal to the Toronto District School Board, but here in Atikokan it's monumental—absolutely monumental. When I'm looking for textbooks and pencils and sending kids on a field trip, I end up having to tax my parents for things that you'd never believe. I need money for this, that and everything else.

We had planned, we had a formula, the plans were in place. But when we were asked—well, it was more than a request, I think. When we ended up having to meet coterminous salary rates arbitrarily, our plan went out the window.

What do we propose to you? I think there are two things we hope you can consider and assist us with. For the 2004-05 school year that has come and gone—it's history, I suppose—we would like to see a special approval from the ministry to help us with that shortfall, because it's carried forward; we're facing it this year. But the long-term solution for education authorities is found in their funding formula. We would like to see an adjustment in the classroom teacher section within the foundation grant that reflects actual new salary levels for each education authority.

That concludes my presentation, Mr. Chair.

The Chair: Thank you. We'll begin this round of questioning with the government. Mr. Wilkinson.

Mr. Wilkinson: Thank you for coming in this morning. We appreciate that.

Just a quick question: Who's looking after the kids? It's good to have you here, but do they know the principal is here?

Mr. McAndrew: I was going to bring them, but there weren't enough chairs.

Mr. Wilkinson: Yes. You're right.

Just a quick question: Basically what's happened is, you now have parity with the coterminous boards, which is a good thing, but your anticipated funding—in most places it was 2%, but actually on the ground here, it's a much higher amount, and that has caused the imbalance. Is this unique to Atikokan, or is this something that's right across the north, where you have education authorities instead of school boards? Do you have a sense of that?

Mr. McAndrew: Without trying to make this too complicated, education authorities use a base number of \$56,000 in their funding model for the calculation of salaries for teachers. Our education authority is a little different from the standpoint that, when teachers come to our school, guess what? They stay there for their careers.

We have A4, which is the highest category in teaching. A4-max teachers make up the majority of our teachers, and they're here for the duration. When you go to most education authorities, it's where you might start your career, gain experience in the teaching profession and then seek employment opportunities in other centres. So if you were to go to other education authorities, the teachers would be younger and maybe less qualified—don't have quite the academic credentials. So the \$56,000 index works very well for them, but we're the anomaly. That's why I say, go with the actual salary. That funding formula was flawed way back when, and we made the cutbacks to address it. But then we faced our maker with having to reach parity with the coterminous boards.

Mr. Wilkinson: My sense, because we have to make recommendations to the Minister of Finance, and I know Bill has been talking to the Minister of Education, is this: It's \$114,000 over two years to get things square. But is it \$114,000 here, but \$5 million in similar organizations right across Ontario? Do we have a sense of that, or is it just here? Is it an anomaly here?

Mr. McAndrew: I think the most significant issue is here, but I think your comment is right: To lesser extents, it does extend beyond Atikokan. I would be very hesitant to even predict the actual financial impacts. It's obvious here because of the characteristics we face, but I think it's an issue that is probably faced province-wide.

Mr. Wilkinson: That helps. Thanks.

The Chair: We'll move to the official opposition. Mr. Hudak.

1010

Mr. Hudak: I have a quick question. I know my colleague Mr. Yakabuski has a question as well.

Coterminous boards can be similar and coterminous boards can be quite a bit different between the Catholic and the public systems. Could you characterize the public coterminous authority? Is it large? How many schools are

there? How many employees relative to your education authority?

Mr. McAndrew: I'm glad you asked the question, because I used to be the director of education for the Rainy River District School Board. Seventeen schools and a budget of probably \$35 million would be the coterminous board. Does that answer your question?

Mr. Hudak: Absolutely. Some coterminous boards, under the Catholic system historically less funded than under the public system, found it not as challenging. But there's no comparison between the size of your authority and your options for changes compared to something of that size.

Mr. McAndrew: It's really interesting. I've been a director for some large school boards in the past. The discretionary funding I have available to me in my small school is microscopic, and that's the stuff that ends up in the classroom. When we talk about \$30,000, \$40,000 or \$50,000, it's real and it does affect that child. When you're the director of education for a very, very large board, it means that certain initiatives get delayed, postponed or dropped but it doesn't, oftentimes, work its way right into a classroom, whereas this has.

Mr. Yakabuski: Thank you very much for your presentation. A year ago, the minister said he was bringing forward a new funding formula for northern and rural schools. Have you any sign of that as of yet?

Mr. McAndrew: We're still looking.

Ms. Larson: I can comment. Approximately a year ago there was some funding available to district school boards. I understand that it was a large sum—I can't tell you exactly how much—but for our specific school authority, that was supposed to help balance with the teachers' salaries, it was a mere \$600 in total. How can \$600 even match one teacher when we've had to go from \$71,600 to \$76,000? And now, the current grid is \$79,000.

Mr. Yakabuski: So you're still waiting, a year later, for some kind of show that they're actually acting on that commitment.

Ms. Larson: That's correct.

The Chair: We'll move to the NDP and Mr. Prue.

Mr. Prue: You started off earlier by saying that the number of students is declining. Is that decline the result of people moving away or not having as many children, or is that the result of some parents of the children determining that the other board perhaps has more money, more teachers, more access, and sending their kids there?

Mr. McAndrew: What a great question. Actually, as a percentage of total elementary students, St. Pat's is an anomaly because we make up roughly 50% of the total area enrolment. If you look at the provincial pattern, separate school boards are typically 33% at the elementary level. I think we have a lot of students and families that aspire to our school. A lot of them are non-Catholic, I should point out. The reason we've seen a decline is that the simple population of the surrounding area has reduced over time, so there are fewer students to go around.

Mr. Prue: When the mayor was up earlier, he did talk about the number of manufacturing and other jobs declining. I guess that is resulting in a population decline. I know we have seen other studies on that. This is very difficult, I would imagine, for the government. I'm in opposition, so I'll just watch them sweat. This is very difficult in terms of how to fund declining populations, how to keep things going. Do you have any suggestions for them?

Mr. McAndrew: Actually, there is a mechanism, and I will say that, generally speaking, it works in the government. As your population declines, you don't lose the money that year. There's a declining enrolment grant that tends to buffer things for one year, which is very helpful, because, based on commitments through collective agreements, you have to serve notice if you have to reduce the number of teachers within your system. So if you're good at analyzing the projections, you can plan accordingly. That hasn't been so much the issue. The issue here is that we thought we had a financial plan, and suddenly it seemed like it was imposed. The minister's letter changed the environment, and we hadn't seen it coming. Nobody, I think, saw that coming.

The Chair: Thank you for your presentation.

RAINY RIVER DISTRICT MUNICIPAL ASSOCIATION

The Chair: I call on the Rainy River District Municipal Association to come forward, please.

Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Charles Viddal: Thank you, Mr. Chair and friends. There are many here whom I can call my friends, and by the time we finish here today I hope that will be the case for all of you. I have not met some of you yet; that's why you're still in that other category. Thank you for being here.

My name is Charlie Viddal. You know whom I'm representing. I've brought along the treasurer for Atikokan and our town manager to answer some questions that I may not be able to answer in some of the areas. You've met them both earlier.

Welcome to the Rainy River district, an area that has been deemed a safe city by the World Health Organization; an area where most doors still remain unlocked on a 24/7 basis; an area where you can touch the air and feel the freedom, where you can touch the hand and feel the love; an area where we celebrate our differences, as you can see, and draw on their strengths; an area that represents 17,000 souls spread along 300 kilometres of Highway 11. I'm representing the president of our association, who happens to be three hours away by car, the only way he can get here. His name is Gary Gamsby, and I'm here on his behalf.

When I read, I tend to preach. While we could all use the sleep, I would ask that we start this morning by your

reading the first five pages of the presentation, and that way we can be alive and alert when it gets to the questions and talking points. I'll give you about three minutes to do that, Mr. Chair, if you can watch the time.

1020

The Chair: Very good. The three minutes have passed. That's the quietest I've heard the committee in a long time. You may continue.

Mr. Viddal: Thank you very much. I want to concentrate on the next page after page 5, the talking points and executive summary.

There was an erratum, and since I typed up the presentation, I take the blame for calling the assessment corporation the "tax" corporation. You can make the appropriate change for MPAC.

On these talking points—and they're all very valid—you can see that our problems are diverse. I would like to start with number 5, and you will be hearing a lot of that today. I have some questions of my own. Why is it that, when we can produce electricity just down the road here at a very cheap rate, I have to pay more and our companies have to pay more for electricity in Atikokan than they would do if they were located in Toronto? When you take electricity off the grid, that's when it gets to be expensive, and that's when it's not postage-stamped. We would like to see at least an all-in cost and maybe even a cheaper basic cost for the people in this area.

I have a problem with shutting down the plant while opening car plants and building highways in southern Ontario. Cars are the major polluter in the province. Why not shut down the 401 for one day every week? You could keep our plant open. That sounds ridiculous, doesn't it? Well, it's just as ridiculous to close this plant. I told you I preached.

The second one I want to look at is number 7. It's kind of frustrating. I've been in this a long time. We seem to send off a resolution to Toronto that goes to somebody's desk; then some answer comes back to us and it's kind of lost in the shuffle. Everybody forgets about it. Probably we do too, and maybe we have to take a little more action on it, but there should be a method by which we can get these resolutions to the proper place and get them acted on. We put one forward so we could share the revenues from the gas tax from the province. We thought it was energy-saving. It might let us build walking trails where we don't have public transit. That would save more pollution than even public transit.

You have in your handout, on the second page, a picture of the Northwestern Health Unit. I'm sorry; there is a glossier one and it's much nicer. But you can see the size of the unit. We need all the funding. We will really cut back on a 4% cap, if it's established, for that funding. We have a couple of resolutions in there indicating that problem.

Number 9: The province must meet its obligations with regard to the DSSABs. Right now, they're not meeting them with land ambulance and a few other things. They're not at the 50% level they promised. Actually, we believe they should move toward the 100%

level in social services. We feel that that shouldn't be on the property taxpayer at all.

We're having more and more difficulty recruiting doctors. Some communities in the area are spending between \$100,000 and \$200,000 just to recruit doctors. That's a lot of money here. That's about a 20% increase on our tax bill just for doctor recruitment. We need some method of being able to compete in that area.

We feel MPAC must be restructured. You have a number of things attached showing the problems we have with MPAC. There is an Ombudsman study going on. We'd ask you to watch that closely and support it and make sure that the changes do occur that are recommended by the Ombudsman.

That's all, Mr. Chair. Thank you very much.

The Chair: Thank you. This round of questioning will go to the official opposition.

Mr. Barrett: Thank you for the presentation. Just to comment very briefly, you make mention of a comparative with respect to air pollution. We know there's significantly more air pollution from highways in the province of Ontario. Whether this is a suggestion or not, you make mention of closing down the 401. I might mention that that was done four times last year: closed down by farmers for other reasons; there are incredible economic problems for cash crops, beef and other commodities. So I'll just pick up on your suggestion. You've got the Trans-Canada Highway fairly close up here. The reason it was done in the south was to try to get the word out to urban Ontario about the plight of farmers. So I pick up on your suggestion. You don't need to come all the way down to the 401; we're closing it down there. You've got some highways up here, and you may want to get a bit of attention that way.

Mr. Yakabuski: You have a lot of suggestions here, and obviously we won't be able to talk about them all. Going back to when they asked Mayor Brown about whether they wanted new taxation, you don't want new taxation but you want a fair share of what revenues there are, and you talked about the gas tax, which municipalities like yours do not get. I can tell you that I brought forward a private member's bill ensuring that the gas tax would be shared with all municipalities, and it has passed second reading. But it's now up to the government to advance that bill. I hope that your municipality and all rural municipalities continue to put pressure on them and support us on that, because I think it is vitally important that rural municipalities get a share of that tax.

Mr. Viddal: I assure you we will do that. We'll take that into consideration and actually do it. That's the important part: Don't just consider it; do it.

The Chair: We'll move to the government. Mr. Arthurs.

Mr. Arthurs: Thank you for the presentation; Charlie, and for the warm welcome we've had here and your opening comments. Certainly we've enjoyed our limited time for the past day or so.

I appreciate the cogency of the presentation and the comments, and the indication that there may be some matters you need to be persistent about. I've found in my

time at Queen's Park—as municipal guys, we used to send up resolutions and they would go into the vast array and never come back out again. But I'm finding, from the side I'm on now, that you really do have to be exceedingly persistent.

The two key issues we're hearing about today and expect to hear about throughout the day revolve around energy and forestry, and the economic crisis. Do you want to take another minute or so and just put on the record any additional comments around those matters that you feel are important for us to take back to the minister?

Mr. Viddal: I'll turn that question over to our town manager, Warren Paulson.

Mr. Warren Paulson: I'd like to make a few comments on that. I'd like to take you back to the Catholic school board's presentation. One of the questions asked of the board was, how do we fund these declining enrolments? I think what this group needs to take from that is the realization that as our population shrinks, the province is going to be more and more on the hook to help subsidize our residents in various ways, and that's just one of the many, many issues that are going to come up. So there's a real need, from a provincial point of view, to help us get the tools we need to pull ourselves up by our own bootstraps to build up our economy and stabilize our population. If we don't, we're going to be paying for that in many, many different ways, and the issue that the school board presented is just one.

It's unfortunate, in my opinion, that you flew directly to Atikokan, to the airport, and didn't drive at least from Thunder Bay. I think you would have gained an appreciation of the vastness of this part of the province and of the very small population. Once you leave the western part of Thunder Bay, it's a 200-kilometre, two-hour drive before you see anything, and the anything you see is Atikokan. When you leave Atikokan and continue west, it's a further 150 kilometres before you see any community of any size, and that's Fort Frances. We have a vast, vast area and very few people in it. Therefore, we require policies that reflect that. As you've heard already this morning, the chief one is an energy policy.

We have in most of our communities industries that are highly energy-dependent, and these industries have worked very, very hard over the last several years to make themselves more energy-efficient. But the reality remains that they are still energy-dependent, and it is very damaging, and frankly somewhat hurtful, to be in an area where we can produce electricity for three cents a kilowatt and we're forced to sell it for 10 to subsidize Toronto because they have a pollution problem that we don't. The second thing is, because of the vast distances, we need policies that reflect transportation costs. That's probably not as simple a solution as the energy island concept, but it's still something that needs to be addressed. If there are two things this province can do to recognize northwestern Ontario and help us build our own economy, I think those are the two.

1030

The Chair: We'll move to Mr. Prue of the NDP.

Mr. Prue: I'd like to move on to a new line of questioning. You talked here about small municipalities needing help meeting provincial downloads and also about the full funding of social services. If we can resolve that, we can probably not only help every single municipality in northern Ontario; we can help every single municipality in Ontario, period. As you probably know, the municipal tax base funds things like education, welfare, social housing, daycare and land and air ambulance, which is a huge cost to everybody. Would you think that the government should start looking at funding its own programs as opposed to taking the money from the municipalities?

Mr. Viddal: We tend to agree with that. I don't think you can get there right away, but you have in the attachments the problems faced by RRDSSAB. Those issues should be addressed almost immediately, and then work from there, as you say, toward taking over full funding. I don't want to comment on how well DSSABs are working. That will be their problem to sort out. We have an opinion in Atikokan, and I can tell you what it is: We've never been happy with the DSSAB set-up. But that's from the standpoint of the Atikokan area. We seem to be separated so far from our centre, which is in Fort Frances.

Mr. Paulson: I'd like to add to that a bit. I'm sure you've all heard AMO's presentations regarding the rather massive deficit that municipalities have to fund with respect to social programs, and we wholeheartedly support their position and recognize that the province needs to do something about it. Look at our own municipal budget: If we didn't have to fund those provincial programs, we would be in far, far better shape. And you're absolutely correct: I think that would affect every single municipality in the province.

The other side of that, however, is that not only are we paying that money; we're in a situation where we're essentially funnelling money—a mixture of provincial money and our own money—into these regional programs that the municipal staff and the municipal councils really have very little influence over. So from a governance point of view, it also doesn't make a lot of sense. These are provincial programs. There are provincial bodies and provincial ministries around here that can operate those programs, and that's how it should happen.

The Chair: Thank you for your presentation this morning.

POWER WORKERS' UNION

The Chair: I call on the Power Workers' Union to come forward, please. Good morning, gentlemen. You have 10 minutes for your presentation. There could be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of Hansard. You may begin.

Mr. Gary Shchepanik: I'm Gary Shchepanik from Thunder Bay. I represent the Power Workers' Union at the generating station there.

Mr. Jim Mallard: I'm Jim Mallard. I'm the chief steward at the Atikokan generating station here, representing the power workers.

Mr. Shchepanik: On behalf of the Power Workers' Union, I want to thank the committee for the opportunity to make this presentation today. I am an elected representative of the power workers at Thunder Bay TGS, where I represent the members as the station's chief steward. I also sit on the Power Workers' Union executive board. With me today is Jim, who has been elected by the PW members at Atikokan TGS as their chief steward.

The Power Workers' Union has prepared a brief for submission to the committee, providing the union's views on the factors that deserve necessary consideration as Ontario's next budget is formulated. A copy is provided for your review.

Today I want to talk about the impact of the government's electricity policy on northern Ontario from the perspective of the workers, the residents and the taxpayers, as you heard in presentations earlier. Both Jim and I will welcome your questions after this brief presentation.

I'll begin my comments with the observation that the government's electricity policy is having significant negative impacts on northern Ontario's economy. Increasingly, high energy prices are devastating to the industries, where 75% of the electricity consumed in this area goes into industrial production. Price increases dramatically affect the bottom line of these companies. Consider the following:

The mills have shut down at least seven paper machines this year, along with two chemical companies scheduled for the spring, affecting 1,400 jobs across northwestern Ontario. These are significant numbers, considering that the entire area has a population of approximately 200,000, and 120,000 of those reside in Thunder Bay.

One of the key things that have been missing in the presentations today is that over 2,000 construction workers who rely on the major overhauls at the 10 major mills are leaving the region as their annual regional income has been reduced dramatically. This is a resource that is tough to get back once they have settled their families in other parts of this country as they chase the work.

Each one of the mills that shuts down or is downsized affects the tax base of the towns in which they are located. Businesses in small towns are shutting down, with a large migration of unemployed and skilled trades moving west. New mining and smelting operations have been stalled due to the price increases, and that's the lifeblood of this area.

On a more specific and direct cause-and-effect relationship, the closure of Atikokan TGS will reduce the community's tax base by almost 50%, all-in figures.

These are the trends that we see occurring in the immediate future. There are longer-term impacts documented by many experts that indicate significant further negative economic effects when one considers the

increased cost of electricity once coal generation is removed from the province's generation mix. Negative impacts will also occur from the loss of control of costs and of self-sufficiency when more expensive forms of generation replace coal and dependency on imports increases, as we're moving to Manitoba.

These developments, if allowed to continue, will place an escalating burden on Ontario's ability to balance the province's budget through reduced tax revenues as businesses, industries and communities close, and through the additional strain placed on community services from the increasing number of those who become unemployed.

As usual, the economic downturn caused by high electricity prices will be more intensely devastating in the northwest.

There are alternative solutions that deserve consideration and implementation. We do support the notion that a diverse energy supply mix is the best security against future risks. There is no reason why coal generation should not be in that mix.

We believe the government's commitment to close the coal plants in order to improve Ontario's air quality is based on a set of assumptions and facts that no longer exist, if they ever did, are outdated, and cannot be pursued without putting the province at risk of economy-shattering power shortages and price shocks.

Since the government's plan was developed in 2003, much has changed in Ontario. We're facing serious electricity shortages in the near and medium term; natural gas and oil prices have risen dramatically; and the timetable to bring new gas-fired plants is uncertain—now pushed back until at least 2009, no matter what anybody else says. Anybody in the field can see that.

In short, we and others think the government's plan is unworkable and risky. Even the IESO and OPA, in their carefully worded reports to the government, noted the extreme inherent risks involved in the scheduled closing of these coal-fired plants.

New clean-coal technology removes 96% of smog emissions from coal plants. It is immediately available and can be fully installed in 18 months. The installation of clean-coal technology would afford Ontario at least an additional 10 years of electricity security, and thus more time to protect the economic interests of our province and our citizens.

1040

Ontario can learn from what the Europeans are doing. Countries such as Germany and Denmark lead the world when it comes to clean-coal technology and the use of biomass to supplement coal. Decades of research under the auspices of organizations such as the EU's European Coal and Steel Community have resulted in European expertise in the coal industry unequalled anywhere in the world. Experts from Europe who met with the Power Workers' Union this past summer in Germany and Denmark are prepared to come to Ontario to talk about their experience with clean coal and biomass. That's available to you.

In conclusion, there is an opportunity to build on clean-coal technologies that would lead to the cleanup of Thunder Bay GS and Atikokan GS and add the possibility of new construction at Atikokan should we be able to entice new industry this way. This would keep employment in Ontario and not export jobs. Concentrating on the retention of low-cost power—Atikokan and Thunder Bay currently provide power at \$33 per megawatt; if we put back-end pollution controls on, it would be at \$38 per megawatt—would keep the northwest's mills running, allowing the northwest to be a net contributor rather than a burden on Ontario's economy.

Thank you for providing me the opportunity to make my presentation, and we would be pleased to take any questions. I do better at questions than at speeches.

The Chair: Thank you. We'll begin this round with the NDP.

Mr. Prue: Thank you very much. We've heard now from a number of people talking about saving the coal-fired generation plant. In southern Ontario that's not much of a sale, but I think up here it's pretty well unanimous. Is that a pretty fair thing to say?

Mr. Shchepanik: I disagree in one way. It is unanimous up here, but there is a lot of support in the communities in southern Ontario that are closer to those coal plants. If you realize that Ontario Hydro has been putting back-end pollution controls on their plants for the last 10 years when we're not in budget constraints due to the various governments that have been in place, out of the 450 coal plants in North America, Lambton 1 and 2 and Nanticoke 7 and 8 are ranked in the top 15. So we've been doing a good job at it. The numbers, when you're looking at NO_x and SO_x and everything else, are very comparable to gas at this point. Just let us move on with the clean-coal technology. We can put it in place in 18 months and move forward from this economic crisis of the pricing of gas. It's just ludicrous.

Mr. Prue: I'm also very interested in the biomass aspect of this. Many communities have a difficult time wondering what to do with the biomass.

Mr. Shchepanik: What's your definition of biomass?

Mr. Prue: It depends. You just said "biomass," so what are you talking about?

Mr. Shchepanik: We're talking about peat, bark, grain dust. Actually, the way Thunder Bay's and Atikokan's control systems are set up, we have test-burned all those products already, and without any changes to either of these plants, we can run biomass at 10% right now. We've done all those studies. Everything's on record. It's at the corporate office. It's open to the governments to see. That's what the Germans do, that's what the Danes do, but there hasn't been a push in this province until now to allow that. It costs a little bit of money. You have to get the infrastructure in to move the biomass to the plant. Right now we have rail that brings the coal from the west. You take the path of least resistance, right? We don't have bad pollution numbers here in Thunder Bay and Atikokan because we use low-sulphur coal from the west as opposed to the high-sulphur coal that's used down

south that comes from the States. So there is no direct comparison between the plants in Thunder Bay and Atikokan to Nanticoke and Lambton, for numerous reasons.

The Chair: We'll move to the government.

Mr. Wilkinson: Thanks, Gary. In the last part—I don't think it was in your brief—you were talking about putting the clean coal technology at the back end of existing. Were you saying that the price is \$38, versus \$33?

Mr. Shchepanik: It costs \$5 a megawatt to add all the pollution controls, the newest technology pollution controls, for existing plants. That's correct.

Mr. Wilkinson: This is the German and Danish model; and they put in the 10% biomass as well, which improves their emissions, I presume.

Mr. Shchepanik: The \$5 would just be the scrubbers, or the SCRs, that we've done in this province. The thing about a boiler and clean-coal technology is that if you've got an existing boiler, the specifications are limited. So you have to do back-end cleanup. It's very similar to when they added the catalytic converter to a car, but just a lot larger. The benefit of that is that not only do you get the same emission results as gas; you put construction workers to work for a year, as opposed to digging a hole through the city and putting in an \$80-million pipeline, which they're trying to do in Thunder Bay right now. You can do the units in Thunder Bay for \$70 million each and they're there forever, and you're producing wholesale power at \$38 a megawatt. As soon as we hook up that gas line, the Thunder Bay cost is going to be \$80 a megawatt.

Mr. Wilkinson: The only thing on that technology is that it doesn't deal with the mercury issue. It helps get the NO_x and SO_x down.

Mr. Shchepanik: No. The mercury issue is totally covered with a bag filter technology that is available here in Canada. The Germans and Danish people use it. It's a very simple process to deal with the mercury from a coal point of view.

Mrs. Mitchell: The mayor put a \$70-million cost for the cleanup. Does that take care of the mercury? I'm not holding anyone to these figures. The mayor was very clear that that was just a projection. So I ask you, does that reflect it? You were saying \$5 per megawatt.

Mr. Shchepanik: Plus or minus \$10 million on those numbers. The number he quoted there was for a single unit here in Atikokan. We have two units in Thunder Bay, so it would just be a multiple of \$70. The bag filter technology is not expensive at all.

The Chair: Thank you. We'll move to the government. I see two hands.

Mr. Barrett: I want to thank Gary and Jim for being here on behalf of the power workers. We've certainly heard, during our time here and last night, some compelling evidence of why the Atikokan plant should not be closed, and we've put forward a motion to that effect.

I wonder, with respect to the Thunder Bay OPG station, could you give us just a few more reasons why we may consider putting forward a motion to keep that one open?

We've heard quite a bit on Atikokan. I want to hear a bit more about the Thunder Bay situation.

Mr. Shchepanik: The reason we want to keep Thunder Bay open, again, on coal, is to set the price for the region at \$35 a megawatt as opposed to \$80. The reason they're keeping Thunder Bay open is that it is in the centre of the grid. Most of the load is around there, so they need that for direct support, one for the largest city in the northwest and two for the large mills that are in shored areas.

The other side of keeping Thunder Bay open and on coal that hasn't been discussed much is the relationship between shipping coal to the plants, both Thunder Bay and Atikokan, and the effect that's going to have on the railways. This one main line for the CN is just kept open; the coal contracts do all the maintenance and keep it open. The grain contracts are their profit. We have a large coal terminal in Thunder Bay that's privately owned that would be shut down, with another 40 people put out of work, plus the other effect of the seaway shipping of coal to sites in southern Ontario. You're looking at seven or eight boats of coal, and if you take them out of the picture—that goes to the seaway—if you take coal out of the picture in Nanticoke and Lambton, you devastate the seaway. Nanticoke and Lambton are doing a boatload a day.

The Chair: Mr. Yakabuski, we have about a minute.

Mr. Yakabuski: Thank you very much for your presentation. We often hear the Premier and the Minister of Energy talk about Denmark and Germany. They only ever talk about wind. They basically deny that clean coal exists. They're on record as saying that there is no such thing as clean coal. Yet we have all kinds of evidence to show that these leading wind jurisdictions are also leading the charge in clean-coal technology because they recognize the benefits of doing such. Can you give me any sense of why you think this government seems to blatantly deny that it even exists when we have so much evidence to the contrary?

1050

Mr. Shchepanik: I have absolutely no idea. You're touching on the wind in Germany and the clean coal in Germany. Germany is actually a leader in wind power; they have 15,000 megawatts of installed power. But because of the capacity factor of wind being only in the 15% range, that 15,000 megawatts of power is 100% backed up by clean coal, because the wind only blows at certain times of the day and industries cannot sustain the power differences between wind and a solid supply of power.

The Chair: Thank you for your presentation.

Do you have a question for research?

Mr. Wilkinson: I was just wondering, Larry, if you could help us out with, from the Ministry of Health, the question about the effect of mercury on human health, but also, from the Ministry of the Environment, their take on mercury emissions. In other words, one of the issues here has to do with health and the other one is about the fact that the Ministry of the Environment looks after

recording those mercury emissions and what are acceptable standards. So I would like to have some background on that.

The Chair: Thank you.

TOWN OF FORT FRANCES

The Chair: The town of Fort Frances, would you please come forward.

You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Ms. Tannis Drysdale: My name is Tannis Drysdale. I'm a councillor in the town of Fort Frances. I also sit on the Northwestern Ontario Municipal Association board and am vice-chair of the regional DSSAB.

As it was explained to you by Warren earlier today, my town is approximately 150 kilometres west of here. We sit on the Canadian-US border. We are a pulp and paper community. The majority of our town's population is employed directly or indirectly through the forestry industry.

Today I am here to talk to you about PLT reform, but we have two priorities right now in northwestern Ontario: one is the crisis in the forest industry and the second, tied to that, is provincial energy policy.

In my handout for you, I've laid out the coalition's response to the crisis in forestry and I'm going to ask you to implement these recommendations. We appreciate the assistance that the government has provided to the industry to date, but it is simply not enough. Our communities cannot survive another major layoff in the forest industry.

A second priority area is the provincial energy policy. As NOMA will be speaking later, I'll leave that for them to discuss in depth. We have, though, created an energy policy and it has many excellent suggestions in it. We strongly urge you to study this policy paper and implement all of its recommendations. It will provide us with real, long-term solutions for our region.

The reason I'm here to talk to you is the same reason that I came in 2004, and that municipal leaders from northern Ontario, year after year, came before that: PLT reform. When I came before the committee in 2004, we came to request an immediate implementation of the provincial land tax system. This system was committed to in 1998, under the Ontario fair assessment system. It has been called for by FONOM and NOMA. We were quite pleased after our presentation to find that our recommendation to you as a committee made it to your final report and was a recommendation to the minister. After that point, the Ministry of Finance took it up—I think it was even mentioned in the budget—and a consultation occurred in 11 communities throughout northern Ontario. The Ministry of Finance staff looked at other jurisdictions and how tax treatment was levied in these areas.

For those of you not familiar with the north and the special tax system, PLT is a tax system used in the

unincorporated territories. These are territories that exist outside of organized municipalities. Tax is levied by the province based on a formula that generally results in a tax bill of between \$20 and \$60 per year. For your information, on the back page of this presentation I pulled off just a sample property and what the taxes would be on a quarter-million-dollar piece of property in an unorganized territory versus what they would be in my town of Fort Frances.

Since the time of the ministry's consultation and subsequent presentation on the issue at OGRA-ROMA next year, we feel that things have gone a little bit silent. The question across the north is, where is PLT reform? I'm here today to remind you of all the very good reasons that you want to support PLT reform. The first and most important reason to support PLT reform is equity. It's a fairness issue. Even as a municipal politician and yourselves—no one wants to impose new taxes, but the reality is that taxation must be fair. I've provided for you, on the second page of my presentation, some of the costs that the citizens of Fort Frances carry on their tax bill: approximately \$3 million in costs for social services, public health, the nursing home, the Ontario Provincial Police. In the area right beside Fort Frances, in the unorganized territory, that bill is nothing.

Dennis, the mayor of Atikokan, spoke earlier about tax incentive zones. I fully support a tax incentive zone for northern Ontario and for northwestern Ontario specifically, but I will tell you, you already have one here, and it is the unorganized territories. Can you imagine the difficulty, in the town of Fort Frances, of convincing a developer to put his new subdivision in my town when the province has created a tax incentive zone, with no strings attached, for businesses or private dwellings right on our own doorstep? To give you an example of how well this tax incentive zone is working for you, we have seen a 24% increase in new dwelling construction just within the Rainy River district in the unorganized territory. In the town of Fort Frances itself, that figure would be about 4%, which, given loss of homes due to fire and reconstruction, is essentially neutral.

There are also representational equity issues. The DSSAB was mentioned this morning. I'm also vice-chair of the local DSSAB. On the DSSAB, I carry, as the major funder of the organization, only three votes, and only one vote, actually, on the formula of how we divide up who pays what. Our tax bill from the DSSAB is somewhere between 36% and 47%, varying from year to year, of the total costs. The unorganized territories carry three votes, so essentially every time I vote at the table, people who don't have a taxation system that they're responsible for can negate my vote, which makes it very difficult for me to be accountable to the taxpayers of my community.

We are also looking for PLT reform because in our area we would like to begin to discuss moving to an area services board. Without PLT reform, the people in the unorganized territories can't find themselves appropriate representation and we can't move to an area services board.

We understand that a new system of taxation for these regions is complex, that there are many decisions to be made, and that after a decision to actually move forward on this file, it may very well take years to develop the assessment, to send out the bills, to get it started. That's why we need a decision now. We're very pleased when the government moves forward on legislation that helps northwestern Ontario and northern Ontario, and we look forward to working with you and our counterparts at NOMA throughout the district to ensure prosperity throughout northwestern Ontario and this province. Thank you.

The Chair: Thank you. We'll begin this round of questioning with the government.

Mr. Arthurs: Just a question in regard to the level of growth adjacent to the municipality. You're referencing the 24% growth, which I think is the number you were using, as compared to 4% in Fort Frances. Is that organized growth, or is that just individuals taking advantage of being outside the boundary, and are they literally building right outside the municipal boundary for this purpose, or is it more scattered?

1100

Ms. Drysdale: Generally, building in unorganized territories is scattered, but it varies from region to region. We have some places where there are local roads boards in place, and basically you end up with what looks very much like a subdivision. In other places, like Lake of the Woods, where we have multi-million-dollar properties, it's just a property on an island.

Mr. Arthurs: The discussion is certainly ongoing in the Ministry of Finance internally. The discussions around provincial land tax reform are continuing at this point. It's not a forgotten matter at all in that sense, but I'm very pleased that you're here to keep it in front of this committee.

The Chair: We'll move to the official opposition.

Mr. Hudak: Thank you, Councillor, for the presentation on behalf of Fort Frances. Just a quick background question: If somebody is building in an unorganized territory, who gives the permit?

Ms. Drysdale: The room is laughing, because there's some variance. Different ministries take different roles in terms of setting up your septic systems, all of those things.

Mr. Hudak: But the closest municipality itself plays no role whatsoever in—

Ms. Drysdale: We play no role whatsoever; absolutely none.

Mr. Hudak: Are you seeing any commercial or industrial operations being set up in the unorganized territories?

Ms. Drysdale: To some extent, yes, there are some, but not necessarily an expansion in those. We're not seeing a lot of industrial growth in northwestern Ontario, period. But most things like the new OSB plant in Barwick require a municipal water and sewer system in place. When the government moves forward on PLT reform, a system of fair taxation for those industrial properties that exist in unorganized territories will have to be created.

Mr. Hudak: I'm not sure how much time I have, Chair, so I'll ask two questions at once. The crisis in the forest industry is often sadly forgotten in the provincial capital. Some steps have been brought forward, but clearly not enough. You might want to discuss, if you don't mind, a bit more of the impact on Fort Frances currently and any concerns you have for down the road. Secondly, coming from a border area myself, I'm always concerned about border infrastructure and access to the American markets. So are there any concerns from Fort Frances with respect to the border?

Ms. Drysdale: I'll start with your second question. Tourism is our second-largest industry in Fort Frances, and we have a number of concerns with respect to the border. One is the new passport legislation. As you can well imagine, with eight and a half thousand people in Fort Frances, eight and a half thousand people in our adjacent community of International Falls and the largest border crossing in northern Ontario, the new passport legislation could very well also cripple our economy.

Because of the forest crisis and the issues with Abitibi Consolidated's balance sheet, they have determined that they will be selling any assets they have which are not absolutely essential to their operations. One of the assets owned by Abitibi Consolidated in conjunction with the Boise Cascade mill across the border is the international border crossing in Fort Frances. Mayor Dan Onichuk has been working with the Ministry of Transportation in Ontario and various other bodies in the United States to assure us that when that bridge sells, because it currently is for sale, free access and reasonable tolls exist on that bridge for the years to come. It's critical to our economy.

As for our mill in Fort Frances, generally speaking, we're very concerned. The mill in Fort Frances was built in 1945 and has been owned by various owners back and forth for quite a number of years. Every year since 1945, our mill has made money. They have shown a profit in Fort Frances every year since that mill was started. Last year, they lost money. That becomes a great concern to me and it should be a great concern to the province of Ontario when an industry like that, located in our community, that has always been profitable, is suddenly not.

The Chair: We'll move to the NDP and Mr. Prue.

Mr. Prue: First of all, in Fort Frances, is water quality or water protection an issue at all?

Ms. Drysdale: Can you be more specific?

Mr. Prue: The reason I'm asking this is because the second part of my question is, I'm very nervous about water protection, groundwater source protection, in unorganized territories. So I want to find out whether you're having any problems in the town of Fort Frances and then go outside and see whether you're having problems where it's unorganized, where there is no municipal structure.

Ms. Drysdale: We are not concerned about water protection as it relates to unorganized territories. The Ministry of the Environment and the Ministry of Natural Resources are monitoring the systems and we have exceptionally good infrastructure when it comes to water

and water treatment in the town of Fort Frances. That may not be true of all municipalities and their relationship with their adjacent unorganized territories, but it's not a concern of ours right now.

Mr. Prue: Many unorganized territories that used to exist in Ontario now are part and parcel of towns and townships through the act of amalgamation or extension. Has Fort Frances looked at extending its boundaries to take in these areas where most of the growth is taking place in terms of housing or million-dollar homes on islands and that kind of thing?

Ms. Drysdale: The million-dollar homes unfortunately are adjacent to the city of Kenora.

Mr. Prue: Well, has Kenora looked at it? Somebody has to do it.

Ms. Drysdale: It's not our position that we want to amalgamate with these regions. In northern Ontario, there were some very significant, large, wholesale amalgamations of territory which proved to be quite expensive. These people have made a decision to live in unorganized territories. As a result, they shouldn't have taxes imposed upon them for libraries and paved roads, those things that people who want to live in an urban, small-town community wish to have. So it is not our position at this time, nor do I know of any region that's looking at taking over their unorganized territory.

Mr. Prue: More time?

The Chair: About a minute.

Mr. Prue: The social service costs per household in Fort Frances, which you have on your second page, you can probably take to any town, any city, anyplace in Ontario. Would you like to see some of these services uploaded? Does the province have a responsibility to take this off the backs of the ratepayers?

Ms. Drysdale: I suppose we could solve the whole PLT reform issue by removing social services from the municipal tax base, because those are the services that we'd be looking for taxation to be achieved for. Those discussions need to continue with the government. AMO has said—and we support the position of AMO, as Warren said—that we need to realign these services.

Mr. Prue: And have the province take over funding them, as opposed to the ratepayers?

Ms. Drysdale: Absolutely.

The Chair: Thank you for your presentation.

ATIKOKAN CHAMBER OF COMMERCE

The Chair: The Atikokan Chamber of Commerce, would you please come forward? Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Ms. Judi Nault: Thank you. Welcome to Atikokan. My name is Judi Nault and I'm the president of the Atikokan Chamber of Commerce. As the representative of Atikokan's retail, service and wholesale business sectors,

I'm here to ask you to consider the following as you prepare the budget. Some specific requests are included.

Here's a little bit of background on the current economic outlook of Atikokan:

As early as 2003, the government promised that it would implement economic initiatives to offset the impacts of closure of the Atikokan generating station. Since 2003, this promise has been repeated several times. To date, no solution has surfaced that comes close to achieving this objective. This has had a negative impact on our community.

In the two and a half years that have passed since the coal plant closure plan was announced, there has been a serious decline in Atikokan's economy and real estate values. Much of this decline is directly linked to the loss of confidence in the future of the community. We are facing closures of many small businesses in our downtown core. Some businesses have already closed. The loss of the 90-plus jobs at the station will have a domino effect on our community as a whole. The population in our schools will suffer; thus, fewer teachers will be needed, classrooms will close and programs will be cut. The rising taxes, diminished services and decreased client base will certainly cause hardships on our businesses and force even more doors to close.

1110

We have four requests, and the background and the requests are as follows:

(1) Create a competitive business climate for the forest industry. The major industry in Atikokan, as well as in most of northwestern Ontario, is the forest industry. Regional mills have announced layoffs and closures. People, jobs and investment are leaving the north.

Action is urgently required to prevent an exodus of trade skills and capital from northwestern Ontario, which will be hard to replace if and when better economic times return.

Absolute priority must be given to the cost and supply of energy to the industry and the cost and availability of fibre. Energy costs represent approximately one third of the cost of production in the pulp and paper industry. As a result, our economy is much more sensitive to energy pricing than is southern Ontario.

High fibre and energy costs and the higher Canadian dollar have made this industry uncompetitive, resulting in mill closures and job losses. The economic impact of this crisis affects all businesses within the communities and, consequently, more job losses.

In addition, the large industrial tax base is reduced, thereby reducing the municipalities' ability to provide the infrastructure and levels of service that are necessary for quality of life.

Our request to the standing committee: We are asking you to review and help decrease energy and fibre costs and increase the fibre supply before more mills close their doors. We need solutions to create a competitive business climate for the forest industry in our region, as well as the rest of Ontario.

(2) Atikokan generating station is a viable solution. Because northwestern Ontario has a greater supply of than demand for electricity, regional pricing could lead to lower energy prices in the region. The prospect of lower-cost energy is regarded by many as the potential boost needed for economic recovery. Prior to entering the debate on locational marginal pricing, or regional pricing in general, we must seek to understand the potential impacts that could arise from this policy initiative. Furthermore, many municipalities in the region are removed from utility decisions, and therefore have lost a potential economic development tool.

Further studies have been requested by NOACC, the Northwestern Ontario Associated Chambers of Commerce, to provide a northwestern Ontario view of the regional pricing debate as well as insight into government policy that could assist with planning for the region.

If the Atikokan GS closes, the CN Rail link is threatened. The rail link through Atikokan is a key transportation corridor, not only for the Atikokan GS and the Thunder Bay GS but also for the FibrATECH and Atikokan Forest Products. Railway transportation costs for coal, particleboard and lumber are significantly lower than road transport.

If CN loses the large-volume tonnage of coal used in Atikokan and Thunder Bay, it will likely trigger a reassessment of the viability of the line. Retirement of the rail link is a real possibility if the coal contract is lost. This will have a cascading impact on Atikokan's economy and possibly threaten the competitiveness of FibrATECH and AFP. Both of these companies are already suffering from the burden of high energy costs and a high Canadian dollar.

The closure of the Atikokan GS might cause a domino effect that could, in combination with other factors, push many major employers and suppliers out of business. The impact would be felt hardest in Atikokan, but our sister communities of Fort Frances, Dryden and Thunder Bay will also lose jobs and investment.

Our request of the standing committee: We believe that the Atikokan generating station is a part of the solution, not part of the problem, to this energy supply and demand crisis. We are asking the standing committee to recognize that the best alternative is to keep the plant operational as a coal-fired generating station until an equal or better solution is adopted and implemented.

(3) Crown land as an economic initiative: There's no shortage of land in northwestern Ontario, only a shortage of land for sale. The province of Ontario owns 95% of all the land in northern Ontario; the other 5% is in private hands. These private lands include our homes, cottages, farms, bushlots and timberlands.

Experience has shown that private land ownership promotes regional economic growth and diversity. Some lands could be sold to northern municipalities. The sale price should be based on a price that would promote an industry of residential and cottage lot development. There are many acres of land in and around the town of Atikokan that could be sold as cottage lots. This initiative

would also encourage residential and seasonal home construction, creating well-paid jobs and tax revenues in that area.

Our request of the standing committee: We are asking for innovative thinking on a better use of the crown lands so that Atikokan can obtain economic growth through the cottage lot initiative.

(4) Community revitalization: The Atikokan Chamber of Commerce has been active on many committees dedicated to promoting our town and area as a tourist and business destination. Several studies have been presented to the Legislature over the past year and a half. Dollars are required to see these plans realized. Infrastructure dollars are required to assist the Downtown Atikokan Renewal Committee to achieve their plan to revitalize our downtown core to attract more businesses and tourists.

The chamber applauds groups such as the Atikokan Sno-Ho Club, the Beaten Path Nordic Ski Club, the Charleson recreation group, the Atikokan Bass Classic and the antique car club, among many others, who strive to bring tourism dollars to our town annually. But they need more help. We need funding for marketing. We also need a tourism coordinator.

Our youth are unable to find long-term, secure employment in our area. We need dollars for education. We need to train our people to be able to host the world. We have first-class facilities within Atikokan and at Quetico Centre.

Our request of the standing committee: We're asking the government to set aside \$200 million to assist the town of Atikokan to develop our community to attract major industries, including tourism.

Thank you for considering our requests.

The Chair: This round of questioning will begin with the official opposition.

Mr. Hudak: Thank you very much for the excellent and very well organized presentation on behalf of the chamber of commerce. I appreciate the last point, on community revitalization. I think the first, best option, though, is to maintain the existing power plant and to invest in clean coal technology.

The notion of hoping that a new mine is going to start up and investing in improving the geological survey of the area, for example, are all good things that could still be done, but counting on a new mine to open up is a bit like buying lottery tickets and hoping for the best, isn't it?

Ms. Nault: That's right.

Mr. Hudak: We have to realize too that the coal plant will close down in a couple of years' time if the government continues on its wacky energy policy, but it's having an impact on the here and now. What impact is the chamber of commerce seeing today on local businesses and real estate prices?

Ms. Nault: Well, since the plan to close the plant was announced a year and a half ago, our real estate values have really diminished. There are people leaving Atikokan, leaving their jobs. We've already lost a few businesses in town; they've closed their doors. There is no clientele left, and we're getting a brain drain. Our young people

are leaving because they don't have hope for a job or a future here in Atikokan.

Mr. Hudak: Are we seeing any new businesses starting up, expansions of other employers who could replace the jobs at the generating plant?

Ms. Nault: No. You're seeing the odd business restart—something that was closed before coming back—with the hope that something is going to be in place before the coal plant closes.

Mr. Hudak: One of the arguments being made by the official opposition is that families now have an average of about \$2,000 less in their pockets per year with the higher hydro rates, the new McGuinty tax and gas prices going through the roof, let alone home heating costs that are scheduled to go up once again. Are you seeing an impact in the community with less disposable income in people's pockets?

Ms. Nault: Definitely. I know that, with my heating bills every month, I have less to send to my son, who is in university. The prices are astronomical, and they shouldn't be. One third of the cost of operating the plants here is heating bills and energy pricing. They can't survive.

1120

The Chair: Thank you. We'll move to the NDP and Mr. Prue.

Mr. Prue: I'm particularly intrigued because I have not heard this too much before, where you say you are requesting "innovative thinking on a better use of crown land so that Atikokan can obtain economic growth through a cottage lot initiative."

The cottage lots in and around southern Ontario are going up in value even faster than the houses. But it's because of the proximity, I think, to the larger urban centres, where people can, in a couple of hours, get away. What kind of cottage lot initiative do you think, given that—the miles are immense: 150 miles between towns that are getting smaller. What kind of cottage lot initiative do you think would happen? I'm just wondering where the feeder group would come from to build these cottages. What is it—10, 12 hours to drive here? I don't know.

Ms. Nault: It depends where you're coming from.

Mr. Prue: Yes, well, from southern Ontario, the GTA. *Interjection.*

Mr. Prue: No. I'm just trying to think where the population—if you live around Sault Ste. Marie, you can go half an hour outside of Sault Ste. Marie to lovely cottage lots, but that's a big town. I'm just wondering how you think that kind of initiative could work.

Ms. Nault: Just the people around here would like to enjoy having cottage lots and whatnot. Myself, we have a beautiful cottage and we travel an hour from here to get to our cottage. There are many Americans who are trying to get land in northwestern Ontario. This is God's country up here. We need to be able to develop more lands for cottage lots, especially in and around Atikokan. There are a lot of people here who don't own cottages and would like to, but there's no land for sale.

Mr. Prue: So you think this would be largely domestically driven from the people who live in proximity to here?

Ms. Nault: Yes.

Mr. Prue: Okay. Thank you.

The Chair: We'll move to the government. Mr. Mauro.

Mr. Mauro: Thanks, Judi, for your presentation. You were talking about the CN Rail corridor and your consideration—

The Chair: Could you speak closer to the microphone, please.

Mr. Mauro: —and your concern or considerations that it might end up closing. When Minister Duncan first made his official announcement on the date of the potential closure of the plant, shortly after that time I made a phone call to the people involved with CN Rail because that generated a concern that perhaps CN Rail was going to stop the use of that line and that other employers would be similarly negatively affected. I was told at that time that CN had no plans to close their line. As recently as this morning I was in discussions with the ownership group of FibraTECH. I raised that issue again, and they just told me as early as breakfast this morning that CN has made no indication at all to them that there would be a potential closure of that line. So my question is, do you know something different than I've been told directly by CN or that the ownership of FibraTECH has been told?

Ms. Nault: No, I haven't had anything official, but there have been many rumours.

Mr. Mauro: Okay. So it's more just on that basis.

Ms. Nault: Yes. When the rail was damaged by the flood a few years ago, they hesitated to fix it.

Mr. Mauro: Sure. You mentioned earlier also about looking and hoping to have a tourism coordinator. You're aware, I would expect, of the \$200,000 that provincially we flowed to the municipality for the hiring of an economic development officer, Mr. Pat Reid, who is now in that position and working on economic development issues for Atikokan?

Ms. Nault: Right.

Mr. Mauro: The question is, have you plugged in your requirement for a tourism piece to Mr. Reid and the work that he's doing in this regard?

Ms. Nault: Yes, we have, through the steering committee that the chamber sits on.

The Chair: Thank you for your presentation.

The Rainy River District Social Services Administration Board.

We'll continue on with our list, then.

RAINY RIVER DISTRICT COMMUNITY LEGAL CLINIC

The Chair: The Rainy River District Community Legal Clinic, please come forward.

Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questions

following that. I would ask you to identify yourself for the purposes of our recording Hansard. You may begin.

Ms. Trudy McCormick: Thank you very much for the invitation to come this morning. My name is Trudy McCormick, and I'm a lawyer and executive director with the Rainy River District Community Legal Clinic. We have an office in Fort Frances, which is where I travelled from today, we have an office in Atikokan here, and we cover the entire Rainy River district with our services.

As a small piece of background, I lived in Atikokan for 15 years, and it's still home in my heart. My cabin is just outside of Atikokan.

I didn't prepare a lengthy presentation for you this morning. When I thought about coming down here today, I thought long and hard about what I could do that you would actually remember that I'd been here.

Mr. Prue: Sing?

Ms. McCormick: Well, I could do that.

I thought about what I could bring to you, what I could share with you that would be of use in your budget deliberations, and I'm quite certain that you've all been provided with the statistics, the background information on Legal Aid Ontario and on our current budget issues. So I thought I would bring a very direct message to you today.

In the Rainy River district, we have our community legal clinic and, of course, we have an area office with a certificate program that provides legal services in family and criminal law to low-income residents of Ontario. Both of those programs are funded by Legal Aid Ontario, which is in turn funded by the Ministry of the Attorney General.

I was in private practice in Atikokan until 1999, when I moved to the legal clinic for economic reasons. That was when Legal Aid Ontario came into being with the Legal Aid Services Act.

At the end of every year, we look at our statistics. We look at what we've done during the year to assess that, and then to plan for the coming year. The one thing that I can say ever since 1999 is that our numbers have increased. The numbers of people coming to the legal clinic looking for help with legal issues have steadily increased every one of those years since 1999. I was looking at the statistics yesterday, and our client contacts at the legal clinic have increased by 20% over the previous year, showing our need.

Since 1999, Legal Aid Ontario has not received an increase to its base budget. I know that there's been an effort throughout the province to bring this issue to our government, and we're now at the point that there are going to have to be cuts made and changes made if there isn't an increase in funding.

As a parent and as a taxpayer, and as a social justice advocate, I believe very strongly that our legal aid system is an important part of our justice system in Ontario and of what makes Ontario a good place to live. I passionately believe that an indicator of our community and of our society is how we treat those who are less advantaged, and I believe that our legal aid

system in Ontario is a very important piece of that. So I bring you my one-page plea to please bear in mind, in budget deliberations, considering an increase in Legal Aid Ontario's base funding, because it is desperately needed by the citizens of Ontario.

I'd be happy to answer any questions you might have.

The Chair: Thank you. We'll begin this round of questioning with the NDP. Mr. Prue.

Mr. Prue: The legal aid clinic that's in my riding in Toronto has given me about a one-hour presentation, but I want to know, is there anything that is unique or different in Atikokan, in Rainy River, in Dryden, in the northwest of Ontario, or are the problems the same, the problem that they talked to me about, the funding? Is it any different?

Ms. McCormick: The basic problem, the need for increased funding to go to Legal Aid Ontario itself as our funding body, is the same. Our system has a beauty to it in that in our legal clinic system we have 79 clinics throughout the province, so each clinic can reflect the needs of its particular community. The types of law we practise in our clinic here in the Rainy River district are probably somewhat different from what your clinic in your area would provide. For example, we deal with native issues in our clinic. We deal with workplace compensation issues—and a lot of clinics don't do that anymore—because there's no one else in our area who deals with those things.

The other thing that's unique to the north and northwest are the distances and the travel that we have to do. For example, to come here this morning I drove two hours. That's what we face when we go to hearings. My clients in Fort Frances can't attend a hearing in Fort Frances for most things. We have to travel to Thunder Bay, or we have telephone justice. We do hearings by phone. Very often people from other parts of the province are phoning in and end up participating in the hearing where my clients are being evicted. So some things are different. If we were in Toronto, we'd be able to have an in-person hearing with the Ontario Rental Housing Tribunal.

1130

Mr. Prue: Do you require additional funding on top of what a clinic in Toronto would get? I'm just trying to fathom whether you're here for the whole province or whether you're trying to make a unique case.

Ms. McCormick: I'm trying to make a case for the whole province because, unless Legal Aid Ontario receives increased funding for both the certificate program and the clinics, we will all face cuts. Our funding is slightly different than in southern Ontario because they take into consideration, in looking at our caseload, the fact that we do have a lot of travel time that we have to deal with. We have a lot of travel time to do outreach. Doing outreach in our community is a different creature than it is in an urban community. We've travelled to First Nations to do presentations. It has taken me two hours to get there to do the presentation. But the bottom line to me is that unless Legal Aid Ontario receives increased funding, then in

turn my budget will be impacted and my clients will lose some services.

The Chair: Thank you. We'll move to the government. Mr. Wilkinson.

Mr. Wilkinson: Thanks for coming in. I know that our local community legal clinic in Stratford in my riding of Perth—Middlesex and the same people who help us out in my colleague's riding of Huron—Bruce were down to see us and made an excellent presentation. We've had discussions with Attorney General Michael Bryant on this issue, who's passionate about the need to make sure we have equity in justice and access or the whole system falls apart. I know that's a focus of his.

Legal Aid Ontario is now a strong and mature organization compared to when it started. It is at arm's length from the government, which is what the basis of the act was, to ensure that that is appropriate, that it should be arm's length. You're right: The Ontario government is the biggest funder. I guess additional sources of funding include the federal government and the Law Foundation of Ontario. Is that correct?

Ms. McCormick: Yes.

Mr. Wilkinson: You're talking about the Ontario portion. I know the federal portion I'm seeing has increased over the years, as well as the contribution. I believe our budget is about \$200 million a year. Over the last few years, I think Legal Aid Ontario has received approximately \$12.3 million in new ongoing funding. I have also been informed by the Attorney General that they're delivering an additional \$6 million, which is about 3% in funding for this fiscal year. There are some special packages as well for certain government initiatives where money is focused into legal aid. For example, down in Toronto there's the big issue on gun violence, and I know there's money that's made available on those types of things.

I can tell you that we're in the process of negotiating with the federal government the new federal funding for civil and family legal aid. In addition, my understanding is that Legal Aid Ontario will be receiving a significant increased funding transfer from the Law Foundation of Ontario. Are you aware of—

Ms. McCormick: I wasn't aware of an increase from the Law Foundation of Ontario. I am aware of the efforts in dealing with the federal portion of legal aid funding, and we have looked at ways that we can maintain and enhance the services we provide. Just from a clinic focus specifically, we deal with Canada pension plan disability issues, so we're hoping that there would be a basis for increased federal funding looking at that and then other initiatives that are out there.

I know the Attorney General has felt that this is an important issue. The focus that legal aid has taken has been to make sure that it's on the radar for everyone else out there as well.

I sit on the executive of a provincial clinic group. We're kind of sitting on a cusp right now. We're waiting to see what's going to happen, because it's going to go one of two ways. We're on the peak, and either we're not

going to increase our funding and we're going to have to make cuts, or there are possibilities that there could be increases in funding and we'll sustain the services that we have and look at ways to enhance the services to the residents.

My hope today is to make sure that it is on everyone's radar right now. Yes, we do hope for increased funding from the federal government. I didn't know about the Law Foundation of Ontario increase. I know the biggest impact there had been the interest rates over the past few years, so there wasn't as much money to transfer to legal aid.

The Chair: We'll move to the official opposition.

Mr. Yakabuski: Thank you very much for your presentation, Trudy. The area that I come from, Renfrew-Nipissing-Pembroke, is a very rural area as well. It's not quite as remote as the north, as we know.

Ms. McCormick: I'm originally from Perth.

Mr. Yakabuski: Oh, you know the area well, then. However, legal aid is a significant issue in areas like mine as well and certainly one of the issues that we deal with a lot in our office. I know you're not an economist or an energy expert, but many studies have shown that legal problems, relationships, be they family or community, can be affected a great deal by the economics of one situation. I'd like to know if you would venture an opinion, because you've said that your caseload has been increasing by 20%, on what the impact of that would be, for example, if the government continues on their policy of closing places like Atikokan—and the effect that is having on mills in the area and the general chronic employment situation that they could create as a result of that—on services such as yours in this community.

Ms. McCormick: The first impact is that the more difficult the economic situation, the more needed our services are. I think there is a correlation between the challenges to the economy and the increase in clientele that we have seen at the legal clinic.

The other thing is that I have actually now watched something that I had no personal experience with before: the progression of what can happen to my clients when the job is lost. They get behind in their bills, the family splits up and they end up without housing, which is something we deal with directly. It's just a spiral that is something that I wouldn't have pictured before. I have, on a number of occasions, looked and tried to help a client because I thought, "There but for the grace of God go I." It does have a domino effect throughout their lives. So yes, it's almost sad, in some senses, to see that our services are being used more and more, but I would anticipate an increasing need unless there is a change in the local economy.

The Chair: Thank you for your presentation.

Ms. McCormick: Thank you very much for your time.

RAINY RIVER DISTRICT SOCIAL SERVICES ADMINISTRATION BOARD

The Chair: I will call on the Rainy River District Social Services Administration Board.

Mr. Viddal: Thank you very much, Mr. Chair. It's a little bit of a surprise for me that I'm sitting here, but you do have in your package a number of issues as far as the DSSAB is concerned. I mentioned them, if you look at the attachments to what I presented to you. I'll just very briefly go over them. I would ask Tannis Drysdale, if she is here, to come up and sit with me. Tannis is a board member and I don't happen to be. I don't have copies of this particular memo, but I'll point out the issues.

The issues are: the province's failure to pay 50% of our actual child care costs of administration; the provincial underfunding of capital reserves for all public and non-profit housing providers in the district of Rainy River, including the urban native housing providers; the province's failure to fund 50% of actual costs related to paramedic wages and benefits; the province's underfunding of the allowable 10% for land ambulance cost of administration; and the need for the province to revisit the funding formula for First Nations and recognize the actual costs of providing services to First Nation communities in our area. I'll add that that's also a problem within the health unit board I sit on.

1140

I'll give you some time to look back and find the presentation by the Rainy River District Municipal Association. It had a group of things clipped together, and in it are reports—there you have it. It has the health unit on the front. If Carol will hold that up, everyone can see it. If you page through that you will find a report by the managers of the DSSAB as to where their problems lie. We can give you a few minutes to peruse that, and then maybe you can ask questions and I'll ask Tannis to field those questions.

I'm Charlie Viddal, by the way, and this is Tannis Drysdale. She's a board member, and also a councillor in Fort Frances, and sits on the Rainy River District Social Services Administration Board. I'm sorry about the confusion.

Mr. Yakabuski: While we're perusing, did you want to continue?

Mr. Viddal: It's only fair that you peruse a little bit, and then maybe two or three minutes, Mr. Chair, whenever you want, we'll open up for questions, unless Tannis has some addition to this. I should ask her.

Ms. Drysdale: Perhaps specifically because we are in Atikokan, I'd like to share with you today the impact of closure of the coal plant on the DSSAB. DSSAB assessments are based on a weighted assessment, so each municipality's tax value of the properties is divided up in a formula and municipalities each pay a percentage of the social services costs based on that formula. When a community like Atikokan loses their coal plant, it means we're all going to pay. In my presentation I said we currently were paying 36%. I anticipate that we'll move probably, in Fort Frances, up to 45% or 46%; it will cost us an extra 10%. I know that the citizens of Atikokan have made some very eloquent cases today about some of the costs of closing that coal plant to them. There is also a bill at my municipality for closing that coal plant.

The Chair: Is the committee prepared to ask questions at this point, or would you want two minutes?

Interjection.

The Chair: I believe we're ready. We'll begin the rotation with the government.

Mr. Mauro: Charlie or Tannis, whoever wants to answer: One of the common denominators with many of the presentations that have already come to us this morning from municipal associations and DSSAB groups has been around the cost on the municipal property tax base associated with social programs. To a group, everybody has suggested, hoped and wished that these programs would be uploaded back, uploaded by the province. Can you tell me why people wish that they would be uploaded off the municipal property tax base?

Ms. Drysdale: The reflection of that need is even more important in northern Ontario, and I can speak better about the Rainy River district. Social program spending is escalating. You all have the bill for health at the province every year, and it escalates at a phenomenal rate. When you're in a northern community and your assessment is not growing, your ability to pay that bill is significantly less. If I were fortunate enough to have the growing assessment of some places in the Golden Horseshoe, although I probably still wouldn't want to pay for those social services costs, I might have the ability. We simply do not have the ability. Our assessment does not grow in relationship to the additional costs.

Mr. Viddal: I think Tannis pointed out to you that if we lose this plant, it will be more expensive for the remainder of the municipalities, and for our municipality, because we lose a heavy assessment base. We're already losing that with the forestry industry going down. So, all of a sudden the social services become a huge burden on the area, and the distances here are almost too great for us to bear that burden. The 1,700 people spread across this whole area of the Rainy River district, let alone all the way to Hudson Bay, just becomes onerous on us.

Mr. Mauro: Tannis, your answer also said that as a result of declining assessments, it becomes more difficult to pay the costs of the social programs. But was the municipality of Fort Frances—and Charlie, perhaps you can answer on the municipality of Atikokan—ever in a position of revenue-neutrality when the programs were first downloaded?

Ms. Drysdale: As you know, I joined municipal council in 2004. I sit on our local administration finance committee. One of the first things I tried to do was untangle the CRF funding, and I couldn't, so I don't know the answer to that question. I don't know if anyone ever knows the real answer. My suspicion is that it is no, it was never revenue-neutral. That's just my suspicion. I do not know the answer.

Mr. Viddal: Perhaps I'll ask Warren Paulson to answer that, if he would.

Mr. Paulson: We can be a lot more organized than we appear at the moment.

I know this year that for the township of Atikokan we received about \$1.4 million from the province in OMPF.

These were formerly the CRF. Our social services costs are in the area of \$2 million. So there's about a \$600,000 deficit for the township of Atikokan. I don't know what it was like when it was first transferred, but I do not believe that it has ever been much different from that. In fact, it's getting worse year by year.

The Chair: Thank you.

We'll move to the official opposition. Mr. Hudak.

Mr. Hudak: Mr. Paulson, just on the OMPF, I thought there was another presentation by His Worship that indicated that Atikokan's municipal transfers have been reduced significantly.

Mr. Paulson: Yes, the province made a commitment to balance out the OMP funding for one year, and then perhaps two years; I can't recall offhand. But if you take the actual formula, we took I believe a half-million-dollar hit. They balance it out. This year's payments were the same as last year's, but if we were paid what the formula requires us to be paid, we lost a considerable amount of money, in spite of the fact that we are now subsidized to some degree for our policing services, which we never were in the past. Even when you factor in that additional money, we're still going to be out quite a bit once it balances.

Mr. Hudak: This is an item, as my colleagues will recall, of considerable debate in the Legislature. When the new formula was released, the Minister of Finance said that no, the funding has actually increased. We had a different take on the numbers that showed substantial cuts across the province. So we anticipate hearing about this in different communities as well as here.

Ms. Drysdale: The initial announcement was that there was increased funding in northern Ontario, and that may very well be true. But when you divide northeast and northwest, the way the formula was calculated, there was a significant decrease. In the Rainy River district, only one municipality will receive slightly more money because of the way the formula implements itself, and that's Lake of the Woods. Otherwise, everyone else has lost money in the Rainy River district as a result.

Mr. Hudak: There are 11 municipalities in the Rainy River district?

Mr. Paulson: Ten.

Mr. Hudak: Nine lost and one gained. So it's not great odds.

Ms. Drysdale: It was one of the smallest ones too. So, yes.

Mr. Hudak: The councillor made an earlier point about moving from a DSSAB to an ASB. That was always the government's goal: to work with northern municipalities to move to the ASB format down the road. So help us understand: What are the obstacles in moving from the DSSAB to the ASB format?

Ms. Drysdale: The current obstacle is PLT reform.

Mr. Hudak: Strictly? That's it?

Ms. Drysdale: It cannot happen; we cannot begin the discussions until we have PLT reform. We talked about that hour and a half between Atikokan and Fort Frances. Had you done the drive from Thunder Bay to Atikokan,

and I know that some of you actually did—pretty much all that area is unorganized. So they need representation to move to an ASB, and we need that taxation ability to exist.

1150

The Chair: Thank you. We'll move to the NDP and Mr. Prue.

Mr. Prue: I just wanted to ask you: Part of the issue sheet you gave me was about social housing. How much social housing is in the area: how many units; how many people?

Ms. Drysdale: On the issues sheets, you'll see that the Rainy River District Social Services Administration Board has 301 public units. Over and over again you're going to hear the statement throughout northern Ontario: What works in Toronto doesn't work here.

Mr. Prue: It doesn't work in Toronto.

Ms. Drysdale: Okay: What doesn't work in Toronto also doesn't work here. Our needs are not necessarily for new social housing construction. They have these funding announcements for new social housing construction. When you have a declining population, you don't need new social housing construction; you need to rehabilitate your existing stock. That's where the problem exists. We don't necessarily need to expand our stock; we need to provide quality housing for the citizens who are living in our social housing units now.

Mr. Prue: One problem that's probably the same is that the condition of social housing in the GTA is deplorable. It's full of holes and mice and cockroaches and roofs that leak and windows that let in drafts. Would it be fair to say that when social housing was downloaded to Rainy River, it was downloaded in a deplorable condition that you've never been able to repair? If that's true, how much do you anticipate it's going to cost to bring it up to code?

Mr. Paulson: I can answer that on behalf of Atikokan. Now that we've demolished a good deal of the buildings that were downloaded to us, the rest are actually in pretty good condition.

Mr. Prue: You demolished the bad ones.

Mr. Paulson: That was at municipal expense, and it was not a small bill. What we are finding, though, is that the size of a lot of the units is not appropriate for the kind of tenants we're getting. We find that we have to take apartments with one or two bedrooms and expand them to four bedrooms, and that sort of thing, to accommodate the need. There's an obvious capital cost there. Although I don't work for them, I suspect that, like a lot of other budgets, getting operations funding is a lot easier than getting capital funding. So that's a real constraint for them.

Mr. Prue: So the housing in Atikokan is in good condition. Is the housing in Rainy River in good condition?

Ms. Drysdale: It varies from service provider to service provider, but we have made a commitment to provide good conditions for our social housing units. Having said that, capital improvements have been deferred, and you can only defer for so long before you get into the positions you're talking about. Sitting on the DSSAB board, Warren is absolutely correct: It's very

difficult to put money in the budget for capital and go to the taxpayers again.

Mr. Prue: So would you like to see this budget contain sufficient money to upgrade or to make the necessary repairs, if they're not going to upload social housing like we suggest?

Ms. Drysdale: Without significant capital inputs to social housing, the stock that does exist will be of little or no value 10 to 15 years out. So we've invested in the social housing stock; we've invested in this program that's so important for the people in northwestern Ontario and throughout the province. Now we have to invest in maintaining that stock, so we're not in the position where, as Warren said, we have to demolish it and build again.

The Chair: Thank you for your presentation.

Mr. Viddal: Thank you for being here and, again, thank you for listening.

The Chair: I believe we have agreement that we will hear one additional presentation for up to 10 minutes with no questioning. Is that correct? Agreed.

FIBRATECH MANUFACTURING INC.

The Chair: I would ask FibrTECH Manufacturing Inc. to come forward, please. Good morning. I would ask you to identify yourself for the purposes of Hansard.

Mr. Dan Warren: Thank you for letting me speak at the last minute. I wasn't aware I could get in. I thought you had a full agenda.

My name is Dan Warren, president and owner of FibrTECH Manufacturing, here in Atikokan. We employ 140 people in the manufacturing of value-added particle-board products, which are sold to both Canadian and US markets.

I would like to first thank you for your decision to come to Atikokan to hold a session for these consultations in northwestern Ontario. Northwestern Ontario is vital to the economy of Ontario. Do you know that the forest products sector alone generates \$19 billion in sales and employs about 275,000 people both directly and indirectly?

The forest sector is second only to the automotive sector in size and impact on provincial prosperity and contributes about \$8 billion to the provincial trade balance. The industry pays \$2.3 billion in municipal, provincial and federal taxes. You can see that we are important to southern Ontario; however, we sometimes do not feel that our sector or our region is noticed by politicians in the south who make our decisions.

An example of this concern is the decisions being made about the energy future of the province. I do not think the north's future was ever considered when this decision was made. If it was, northwestern Ontario would not be paying 10 cents per kilowatt when we are generating 50% more than we can use, and we are not permitted to sell it back to the grid so we wouldn't see our rates increase based on usage in southern Ontario.

If northwestern Ontario was taken into consideration, you wouldn't make a decision to close a power gener-

ating station that employs 90 people when this station has the capability of solving our northwestern Ontario energy cost crisis that is crippling the forest industry in Ontario. How many people have to lose their jobs before the province realizes that a mistake has been made in this? I'm asking, on behalf of the forest industry and the people of Atikokan, that the decision to close the Atikokan station be reversed in the spring budget. This one consideration would reverse the fortunes of the forest industry in northwestern Ontario.

Over the past year and a half, I know all too well the monetary challenge the forest industry and my colleagues face in northern Ontario. Since our start-up, we have reduced our power consumption by 40%, only to give it back to the province because of an increased power cost of over 200%. The Canadian dollar has gained over 20% in value, which we cannot pass on to our customers. We are charged 20% to 30% in fuel surcharges on our outgoing freight, which we cannot pass on to our customers.

With the help of programs such as heritage and FedNor, and also with the assistance of the MNR for northern programs, as we speak, we're in the process of starting up a system that would reduce our natural gas consumption by 90%. By the end of 2006, we anticipate adding increased value to 90% of our product output—and this is key to the success of the industry—as well as a constant reduction in production costs to allow us to compete globally.

The province has made a number of references to value-added manufacturing, improving fibre utilization, youth retention, global competitiveness and new technology use. FibraTECH is proposing to answer all these provincial desires with a project that will create over 200 jobs here in Atikokan. We are proposing to establish a laminated veneer lumber facility in Atikokan, and we need your help to make this happen. The province's commitment to replace Atikokan OPG job losses with loan guarantees will attract investors to make this a reality in 2006, with a ramp-up in 2007. I've already started investor discussions toward raising the financing required. This project will also reduce current operating costs by \$5 million annually, which will help us sustain the 140 jobs that currently exist at our operation.

The province has the ability to make a difference for Atikokan and northwestern Ontario by showing the people of the north that the forest industry does have a future in Ontario, so it can continue to contribute to the province's wealth and prosperity. I'm asking you to include funding strategies and programs in the spring budget that can affect the future of northwestern Ontario. Use Atikokan as a model for the future. We are ready to move on this project, which provides one solution to all issues facing the forest industry in this region. I urge you to include northwestern Ontario's future in the spring budget, as well as a commitment to mitigate the closure of Atikokan's OPG station by dedicating funding toward an Atikokan value-added manufacturing facility that will create 200 jobs.

By making a commitment in the spring budget, the reality is a groundbreaking ceremony for a new mill this

summer with a start-up probably in the winter of 2007. You can make it happen. You can create 200 jobs for the northwest and solidify our existing 140 jobs.

Thank you again for considering Atikokan and the northwest in your budget consultation sessions.

The Chair: Thank you for your presentation. I'm sure that if members have individual questions, they can ask you during our recess.

Mr. Warren: I've left a copy of my notes here if somebody would like them.

The Chair: We're recessed until 1 o'clock.

The committee recessed from 1200 to 1305.

ATIKOKAN RATEPAYERS ASSOCIATION

The Chair: The standing committee on finance and economic affairs will please come to order.

We will begin this afternoon's proceedings with the Atikokan Ratepayers Association. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Ms. Donna Zachariah: Thank you. Mr. Chairman, members of the standing committee, members of the community, my name is Donna Zachariah. I am here today as a board member of the Atikokan Ratepayers Association.

The members of this organization have identified the declining economic climate of Atikokan as the most critical issue facing this community. The very existence of our community is threatened if immediate changes to enhance and revitalize our economy are not addressed. We would like to take this opportunity to provide you with a snapshot of some of the indicators that illustrate the devastating impact on the Atikokan economy, as well as recommendations for economic stability and growth.

As I point out these indicators, it is vital that you consider them through the perspective of a small town in northwestern Ontario with an estimated population of 3,200. These indicators are a result of government policies that have taken away and taken away while costs and taxes increase, with no giving back: policies like a new system of municipal funding, cancelling the spring bear hunt and, the icing on our disaster cake, the closure of our OPG.

(1) We have experienced the closure of over half a dozen businesses in the last year, businesses such as McTaggarts, Northside Paddlers, Davidson's Construction, Leishman's Welding and the Chinese restaurant, to name a few. This has resulted in a decline in services, lost jobs and a greater financial burden on residents as they incur the cost of going out of town for the products and services that are needed. In addition, our research indicates that many others are on the verge of closing.

I'd like to use a personal example here. I was raised here and my family lives here. I've worked quite a few of the last years down in southern Ontario, in the Halton region. My husband and I moved here a year ago to retire in this area. We've been looking to invest and have

looked at four businesses, but the fear around the Atikokan economy has prevented us from investing. So how do we live right now? Right now, I am actually incurring the cost of flying back to the Halton region, where I do work.

(2) The real estate values of Atikokan have plummeted to the point where they have little worth. In the last few months, especially since announcing the OPG closure, they have already decreased in value by 30%, and there are countless homes on the market to further reduce the value. When checking the Atikokan real estate site of Avenue A on January 22, 2006, there were 58 residential properties for sale. This represents one fifth of our population. Imagine if one fifth of Toronto homes were up for sale right now. This does not include those listed by owner or other realty agencies and commercial properties. This also decreases the resale value of our existing businesses.

We purchased a home here 10 years ago for \$56,000. In those last 10 years, we've put between \$15,000 and \$20,000 into the home. That's not for things like ceramic floors; they are basic maintenance things like the roof, the plumbing and upgrading the electrical. If we were to list our home on the market here today, it would be worth \$45,000, so a loss of \$11,000 over 10 years, after putting \$20,000 into it.

(3) The announced closure of the Atikokan power generation plant has exacerbated the dwindling economy. It will result in the immediate loss of 90 jobs, placing some families in a position of numerous challenges personally and financially, and for some it will mean poverty. It has added to the out-migration of our citizens, it fosters a sense of government taxation without political clout, and will add to the further elimination of services as a result of an approximately 45% loss of tax revenues upon its closure. So we may be saying, "Goodbye, swimming pool; goodbye, arena," some of the services that we have, but I guess the good side is that without our services and places to go, we will have more time to create our own government or maybe even our own province.

1310

(4) There is an ongoing out-migration of our citizens, particularly the youth. Atikokan was once a strong, independent community with a population of approximately 7,000. Presently, our population is 3,200, and this number continues to dwindle. Atikokan has no services, incentives or business opportunities to provide our youth, and a continuous increase in the cost of living while home values decrease has families leaving. Presently, it is estimated that Atikokan consists of more than 50% seniors.

(5) Our taxes are extremely high. They have continued to increase while the services diminish. House values dwindle and the age of the homes increases. High taxes are placing a financial strain on the individuals and businesses of this community and are hampering future investments.

I have here a copy showing a home that was sold in Oakville, Ontario, for \$336,000, with their tax bill of \$2,470. In Atikokan, listed right now on Avenue A, I have here a home for sale that is valued at \$32,000. It's

over 45 years old. The taxes are \$1,134. That is a 700% difference in the value of the homes and only a 50% difference in the taxes. Also, if you were to purchase this home right now and were looking at a 25-year mortgage, you would have paid the same for taxes as you would for the principal of your home.

To look at the businesses, I have an example here of the White Otter Inn, whose owner happens to have a brother who owns a Travelodge in Kenora. The White Otter Inn has 30 rooms; the Travelodge in Kenora has 43. The restaurant at the White Otter Inn seats 42; the Travelodge in Kenora seats 80. The White Otter Inn has a 25-person meeting room; the Travelodge in Kenora has a 100-person meeting room. The White Otter Inn has no lounge; the Travelodge in Kenora has a lounge with 54 seats. The taxes here for the White Otter Inn are \$66,000 a year; the taxes for the Travelodge in Kenora are \$42,000 a year. The White Otter Inn has less income and pays one third more in taxes. For resale value, there's no comparison. The Travelodge in Kenora said that they would make a little bundle; the owner of the White Otter Inn says that I can quote him as saying that he would lose his shirt.

(6) Health and counselling services staff are stretched for resources, with clients suffering from stress and depression associated with job loss, financial hardship, home relocations and family separations. We have even had a suicide as a result of financial hardship.

I have an example here too of an OPG employee at present trying to make the decision, "Do I leave town?" She is with Ontario; therefore, she can get a job somewhere else, being transferred. But she is separated and the children spend one week with her and one week with her husband. So if she leaves, she will lose money that she's invested in her home, plus, if she doesn't get to see her children, it would then be going through a court case to try to get them to go with her. If she stays and loses her job, she will also lose the 12 years that she has left for her pension, and probably, if she's lucky enough to get a job, she'll have a lower income.

(7) The culmination of the previous indicators has resulted in a downturn of commercial revitalization, hindering the recruitment and retention of professional staff for institutions like our hospital, clinic, schools etc.; a decline in the attractiveness of new investments; stagnant economic growth; and a significantly compromised standard of living.

Thank you for the present consultants who are working on an economic strategy and community development plan. We recommend that the budget-specific funding continue to support the work of this group, as well as an ongoing evaluation of the results.

We recommend that you provide northwestern Ontario municipalities with more financial support through long-term sustainable funding for municipal infrastructures.

We recommend that you develop the Atikokan economy by locating new and creative businesses, services, institutional jobs and tourism opportunities in northwestern Ontario.

We recommend that you provide incentives to attract professionals and services to underserved areas such as northwestern Ontario.

We recommend that you provide tax breaks for newly created and existing small businesses.

We recommend that you work with small businesses to fix current property tax inequities.

We recommend that you create lower tax rates for individuals in low-income brackets.

We recommend that you lower education tax rates, particularly in smaller communities.

We recommend that you improve tax fairness, with a fair share package, fair tax policies and closing of corporate loopholes.

We recommend that you lower the cost of provincial policing to the Atikokan community. Until recently, as was quoted earlier, Sioux Lookout was paying \$90 per household; Atikokan pays \$700 per household.

We recommend that you eliminate the retail sales tax on building materials that improve energy efficiency and conservation.

We recommend that you increase access to capital through grants or low-interest loans that fuel growth in northwestern Ontario communities, like reinstituting the Northern Ontario Development Corp.

We recommend that you offer more direct funding and expansion funds to those communities that are greatly affected by the OPG closures, such as Atikokan.

We recommend that you keep the cap on electricity to allow our businesses to grow and thrive.

We recommend that you keep the Atikokan OPG open and explore creative ways to utilize the business or even expand it.

We recommend a new form of governance for northwestern Ontario, with a northern Ontario act put in place to facilitate fair representation and insulate us from decisions that have a negative impact on northwestern Ontario.

Committee members, I am certain we have presented enough information here today to clearly reflect the devastating and damaging effects the Atikokan economy is experiencing. What we have now simply does not work for the people of our community. Ontario has a whole lot to lose if the government is complacent regarding the Atikokan community, but we also have a whole lot to gain if the government dares to change the status quo in our community. We urge you to develop a strong economic plan for northwestern Ontario so that every little town and city in northwestern Ontario has a solid, broad-based economy and sustainable financial support.

Thank you for the opportunity to share our concerns with you.

The Chair: Thank you. We'll begin this round of questioning with the official opposition.

Mr. Yakabuski: Thank you very much, Donna, for your presentation. Much of what you've dealt with, we have heard from other presenters as well, but I think it's very important that we continue to hear that message.

One of the things we keep hearing over and over again is the wrongness of the government's decision to shut down the generating station at Atikokan with little or no evidence that that particular station has any detrimental effects on air quality, because of where it's situated and the flow of air. Even without mitigation, but certainly with mitigation, we have the technology and the ability to clean that station up almost completely. It just baffles us as to why the government is not listening to people with regard to investigating that potential. Presenter after presenter has indicated over and over again how devastating that decision is going to be for the economy and the community up here.

If there is one single decision that is affecting it, would the closure of OPG at Atikokan be the single biggest detrimental thing that could happen to this community?

1320

Ms. Zachariah: I would say yes.

Mr. Yakabuski: And why do you think the government is simply not listening to the reams of evidence that have shown their decision is wrong?

Ms. Zachariah: Well, I kind of view the Ontario province like our body. Toronto is our vital organs and Atikokan is like the baby toe. When you have an injury or something damaging happening to your baby toe, you often ignore it because it can heal on its own, but sometimes the damage can be so bad that it can fester up and you can lose a whole leg, if not more, which will affect everything. I think it's easy to focus on your vital organs and forget about the other parts of your body that maybe aren't as important.

Mr. Yakabuski: Thank you very much. Perhaps my colleague Mr. Hudak has some questions.

Mr. Hudak: Thank you for the outstanding presentation and a great number of recommendations for the committee to consider. On the electricity front, there's not only the impact of closing the plant here, but you mentioned the high hydro rates that the area has had to pay, particularly causing a crisis in the forest industry. The mining sector, while they're having some higher commodity prices, also could be dramatically impacted if those commodity prices don't stay high. So what kind of spillover effect are we seeing in Atikokan from the forest industry crisis and high hydro prices?

Ms. Zachariah: Can you give me an example of what you mean by spillover? Are you talking about to the people or financially or—

Mr. Hudak: Exactly: the real estate values; the impact on businesses.

Ms. Zachariah: I think that basically everything I've presented is the culmination of the closure of—it's all those policies over time that have been slowly, insidiously eating away at us. With the closure, it's kind of like that icing on the cake. Everything that has been happening has been ongoing, and it's got that cyclical effect. So I'd say yes.

The Chair: Thank you. Now we'll move to the NDP.

Mr. Prue: We've had a number of presenters who've argued many of the same things you're saying, but

you've said something unique today that no one else has said. It's your very last bullet point: a new form of governance for northern Ontario. Are there people up here thinking seriously about that? We have heard about alienation. I have read at least one news comment saying that people in this part of the province wish they were in Manitoba.

Ms. Zachariah: Yes, that is true.

Mr. Prue: Can you tell me a little bit about that? I think people from southern Ontario, like me and all of the rest of us, need to hear that. We need to hear the dissatisfaction and where you see your future. Do you see your future in Winnipeg more than in Toronto?

Ms. Zachariah: Personally, I like to remain optimistic, but I can say that yes, there has been talk about it. It is, again, like ignoring your baby toe. You can only go so far until you need to bring in a professional to help you heal, a professional for your body, so if we're talking about, let's say, some of the policy development and whatnot, that would be a different form of governance. So yes, there have been conversations about it. There has been talk about joining some of the other communities to lobby some of the mayors in the area to think about it. Sure. Yes. Does that answer your question?

Mr. Prue: I think yes, as best you can. Can you give me an idea—I remember years ago reading that people were talking about dividing Ontario, having a northern Ontario province and a southern Ontario, because the needs and the wants are quite different. You work in Halton. You know that the needs and the wants are probably far different there than they are here. Do you think that sort of separation is what you're looking for? I don't want to get into this; maybe I shouldn't, because of what's happening in Quebec and the firewall around Alberta and all the talk these days. But I want to know whether this is a really serious thing that people are considering.

Ms. Zachariah: I don't know if it's what we're looking for. But when you're in desperate situations, you consider all options, and that certainly is one of the options that has been mentioned.

The Chair: Thank you. Now we'll move to the government.

Mr. Arthurs: Donna, I noted in your comments that at one point, Atikokan's population was around 7,000, and over an extended period of time, I guess—you might want to enlighten me on that—it has declined by half, to some 3,200. You mentioned the insidious kinds of things that occur over a period of time, some of which are under government control, and some provincially may not be under our control. The high Canadian dollar, as an example, is not what we directly control.

You also make reference to the population in Atikokan; about 50% of it is seniors. Is that a result of younger people migrating away for employment opportunities, for education opportunities? And to attract people back to the community when such a large proportion is of a senior age, you're looking at a period of time, over 20 or 30 years, when presumably a pretty good segment of the

population is not going to be with us regardless, in a lot of communities, but in a high percentage here. I'd be interested in what opportunities you see to attract people back to the community, to attract younger people to stay in the community, young people to come into the community. Can you give any further comments?

Ms. Zachariah: If I'm understanding you right, you're asking me what I think would attract the younger individuals back. I think if we had opportunities for them to get some of their education here—I know right now of an individual who is trying to get her engineering, and she's doing it through her home because she also works here, so it's long-distance education. I know that somebody has talked to me about their having difficulty in keeping employees with a class A driver's licence. If they maybe had schooling here, where the individuals could get their class A driver's licence, then they could be employing people from the community. As it is now, they have to employ individuals from outside the community.

There are not a lot of job opportunities to offer them. Here I am, and I'm still looking for a job. There aren't a lot of services that keep them wanting to stay here. I know I left for educational purposes—no university, no college, no institutional job settings where I could be employed if I wasn't planning to get an education. Does that answer your question?

Mr. Arthurs: Yes, I think it does, certainly from the standpoint of providing educational opportunities closer to home, and particular kinds of skill sets that are required that might be offered close to home might encourage people to stay, and the opportunity to be employed without having to go outside to find the skill set one is looking for. Yes. Thank you.

The Chair: Thank you for your presentation.

Ms. Zachariah: You're welcome. Thank you.

NORTHWESTERN ONTARIO MUNICIPAL ASSOCIATION

The Chair: I call on the Northwestern Ontario Municipal Association to come forward, please.

Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. David Canfield: Thank you very much for the opportunity to be here. I am Mayor David Canfield. I am one of the vice-presidents of the Northwestern Ontario Municipal Association. I am here in Michael Power's place. He had another commitment and couldn't be here today. I also have members of the executive of NOMA: Mayor Anne Krassilowsky from Dryden, Councillor Iain Angus from Thunder Bay, and your host, Mayor Dennis Brown from Atikokan.

We're very pleased to have the opportunity to talk with you today and to welcome you to the township of Atikokan. NOMA represents every organized municipality in northwestern Ontario. We're a very unique group.

We're the only municipal organization that represents everybody. We speak with one solid voice, and there's very little dissension because we've got our act together up here.

The municipal order of government faces considerable challenges in northwestern Ontario. This is especially true when we look at our economy today and the health of our economy tomorrow, as I'm sure you've heard all day today. We face a crisis in the forest industry, which impacts all of us. The Ontario municipal partnership fund has put most of our communities in significant financial difficulties. The municipalities of northwestern Ontario are asking for the fairness and the sharing that the government of Ontario has promised. There are many issues, but in the time we have today we won't be able to effectively deal with all of them.

1330

The first one I'd like to touch on is PLT reform. The recent completion of the provincial land tax review led us to believe that, finally, something was going to happen in this area. To date, nothing has happened, despite promises from successive governments that this would be fixed. We well understand that residents in the unincorporated areas like things the way they are, but municipal governments want to see the residents in the unincorporated areas paying their fair share, especially with the stress they put on a lot of our communities. In my community alone in Kenora, we have a huge population base on the outside that puts a lot of stress not only on our services but of course the services in each community that these people live around.

There's a continued downloading of costs to the municipal order of government. Municipalities are responsible for increases in costs for all the downloaded services. This is especially true in the health and social services area. None of the revenue transfers take into account the fact that costs increase with time and the only source of revenue for a municipality is the property tax and user fees.

For the first time in our history, the population in northwestern Ontario is in a decline, and a number of reputable studies project that this will continue. This, along with the decline in the forest sector, will significantly affect our assessment base, leading to increased pressures on the remaining taxpayers to maintain the existing services, and I stress "existing services." We're not adding services and we're not enhancing services. In fact, in most cases we're reducing services, with the exception of course of the mandated provincial services and the new rules. Quite honestly, in the last few years, services that have been downloaded or transferred to municipalities with a higher standard to maintain were standards the provincial government couldn't meet, and of course these were given to municipalities and we were expected to meet them with no money to do it. The demands that are placed on the local order of government by other orders of government are ever-increasing, without any improvement in the ability, as I said, to fund these.

I want to talk now about the forest industry crisis in Ontario. It's not just northwestern Ontario, and it's not

just a northern issue. This is an Ontario issue. Jobs continue to be lost at an alarming rate right across the province. This will continue and the ripple effect will add to that unless changes are made and investments made in the industry the same as in other sectors, such as the automotive industry.

Minister Ramsay's Council on Forest Sector Competitiveness—I was part of that committee—identified a number of the key challenges that are facing the forest industry. Fibre costs, energy costs, transportation costs and red tape contribute to make the province of Ontario actually the highest-cost jurisdiction in the world. This absolutely has to change. The coming budget has to address this issue in a more meaningful and comprehensive manner if we are to avoid permanent damage to the economic prosperity of Ontario.

I have to tell you, ladies and gentlemen, that we don't have time to wait for the Ontario budget. These changes that we've asked for, both the coalition and those that have come from the minister's council, have to happen yesterday. I'm not joking when I say "yesterday." My community has already lost two mills.

The economic impact on the forest sector extends well beyond northwestern Ontario mills which process wood fibre into lumber, paper and other manufactured products. Southern Ontario companies provide equipment, supplies and services utilized throughout all aspects of the production process, from management and planning services to harvesting, right through to the processing of the end products.

Nearly 200 communities in southern Ontario have a stake in the economic viability of Ontario's forest sector. In the north and in central Ontario, we have 40 forest-dependent communities, and in the northwest, the majority of our municipalities' economies depends to a significant degree on a healthy forest industry. I cannot believe that you would be telling the people of northwestern Ontario to move out, and just listening to the speaker ahead here, there isn't much choice.

I will just provide one example of the impact of one forest products company on Ontario. This is one company that purchases over \$600 million worth of goods and services within the province of Ontario every year. Of that total, almost \$330 million worth is purchased from southern Ontario vendors. Were this company to cease operations, the loss in economic activity for the following communities in a single year would be tremendous: Toronto would be \$201 million; Burlington, \$17.2 million; Mississauga, \$15 million; Brampton, \$6 million; Ottawa, \$3.4 million; and Oakville, \$3.2 million. There are other communities in southern Ontario that would be affected to a lesser extent and maybe even some to the same extent, but these are just some of the examples.

The decision by previous governments to assign all the costs of road building and maintenance to the forest industry has to be reversed. These roads serve a broader public benefit and these costs properly belong with the provincial order of government. The cost for this initiative

is approximately \$60 million. Of course, this would have to be increased as the years go by.

The current attempt to reduce or eliminate red tape within the Ministry of Natural Resources must be continued. In fact, it has to be accelerated.

I can give you another personal opinion. I also sit on the provincial forest technical committee, which I was appointed to as a municipal rep. As I stated yesterday to one of the existing forest companies in our community, if you took a look at that book and what you have to do, why the heck would you cut a cord of wood with what it takes to cut a cord of wood? We have the highest environmental standards in the world in Ontario, and I think we should be proud of that, but some of them don't make any sense.

Energy costs continue to be an impediment to the industry. We have included in your package a copy of the NOMA energy policy. It has been developed by northwestern Ontario in conjunction with our municipalities, the chambers of commerce and the industry. This is an integral part of the investment that is needed in the forest industry and, in fact, in every industry where energy costs are a significant component of the operating costs, such as the mining industry. I think somebody mentioned that if it weren't for the fact that the resources are here and demand is booming around the world, the mining industry in Ontario would be defunct. It would be shut down.

The new Ontario municipal partnership fund has had a significant unintended impact in northwestern Ontario. The intent was to provide stable and transparent funding to municipalities. The unique difficulties of the north were to be recognized. This new formula, when fully implemented, will reduce funding to northwestern Ontario by \$8 million. This is an additional download to the communities of this region. While some communities will benefit, many will not. Municipalities like Atikokan, Fort Frances, Greenstone, Kenora, Sioux Lookout and Thunder Bay will see downloading of between \$480,000 and \$3.4 million.

The new OMPF program tries to take into consideration the impact of low assessment and the increased cost of providing municipal services in northern and rural communities by providing an equalization grant, a northern and rural communities grant and a police services grant. While these grants make some adjustments to ensure that those with limited assessment will not pay a disproportionate amount for some social services, most of these adjustments are based on community size and an arbitrary per household amount that is not related to ability to pay or the significantly higher cost of providing many of these essential services in northern communities.

One of the most obvious examples of this shortcoming occurs in Pickle Lake, where changes to the police services grant could result in municipal taxes being doubled to pay just the policing bill itself. The costs there are over \$2,000 per household. The costs for the city of Toronto and the regions around the GTA do not exceed \$400 per household. I guess we have to ask ourselves, what happened to equalization?

I want to take just a second to go off here on Pickle Lake. This is a community of 300-some people away up north. I don't know how many of you have been there. But to us in the Northwestern Ontario Municipal Association, this was a no-brainer. This community is in bankruptcy, and it was suggested they borrow from the OSIFA fund to finance operations of the community. What the hell is wrong: 300-some people in a situation like this? The government should have been there like that to straighten this situation out, and they weren't. I cannot for the life of me understand—and talking to the mayor as recently as a couple of weeks ago, they're still in that situation and they are ready to turn over the keys. I said, "What took you so long? I would have turned them over a year ago."

Public health, land ambulance and transit are not taken into account in the OMPF funding. The original promise of a 50-50 cost sharing of ambulance costs has not been met. In northwestern Ontario, we're rapidly approaching a 70-30 cost-sharing, with the municipalities on the short end of the stick. If you can imagine trying to meet some of the new guidelines, with the size of the communities and serving the First Nation communities at the same time, it's absolutely impossible.

While other provinces in Canada contribute less than 2% of their property taxes toward funding social and health care services, Ontario municipalities contribute more than 25%. This is inappropriate, as property taxes are regressive and are not linked to the ability to pay. It also makes it very difficult for businesses in Ontario to compete with those in other provinces where the municipal tax burden is much lower.

It is crucial that Ontario take immediate steps to eliminate the downloading of social and health care costs on northwestern Ontario resulting from the implementation of OMPF. At the same time, the sharing of actual land ambulance costs must be returned immediately to its original 50-50 cost-sharing arrangement or, better yet, uploaded where it belongs, as the Crombie report said.

In the long term, the province must move towards a funding model that significantly reduces reliance on property taxes to fund social and health care services.

As I said at the beginning, there is not enough time to adequately discuss all of the issues, but we thank you for coming to Atikokan to hear some of our concerns and we look forward to some positive progress.

I want to reflect on one other little story, listening to the speaker in front of me—a really good analogy of the human body. Something that I think really upsets people in northwestern Ontario and one of the reasons people talk about joining Manitoba is that when you had SARS in Toronto you brought in the Rolling Stones because of the economic impact. What did you do when you cancelled the spring bear hunt for northwestern Ontario?

1340

The Chair: Thank you. We'll begin this round of questioning with the NDP.

Applause.

The Chair: Order.

Mr. Prue: I don't think the applause was for me; I think it was for the speaker, and deservedly so.

I've asked this question of others before, but you've made the point very strongly here so I want to make sure that we've got people from various municipalities. The downloading exercise that took place a number of years ago has severely crippled all municipalities—southern, northern, northwestern—all of them. Is it essential that the province start the upload exercise to take those things that should not be on the property tax at all, anywhere—things like health, ambulance, daycare, welfare, social housing? All of that is being paid for by people, by businesses that really should not be paying. That seems to be your position. I just want to have it reiterated. I want these guys to hear it again so that it sinks in.

Mr. Canfield: Absolutely. I want to qualify transferred services and downloaded services. Some of these services were transferred with a revenue-neutral component that hasn't been revenue-neutral. I'd like to go back to the Crombie report, because there were recommendations on health that it stay within the health services, and I think that should be one of the first things. I think everybody here would agree with me that land ambulance should be the first thing to be uploaded, because it's not controllable. When you're going to give 1% of a 28% arbitration award, there is something wrong with this picture. So things like that should be back in the provincial realm of things.

Downloaded services: In my community that would be the 18 bridges and 160 kilometres of highway you gave me. Those are the downloaded services. The downloaded part of the transfer services is what is not revenue-neutral and what hasn't been met there.

I think, as a municipal leader, as with most of us, we'll be damned if we're going to go to OSIFA and borrow ourselves into oblivion like other federal and provincial governments have done to maintain our infrastructure. That's just not realistic. I wouldn't do that to my children. I don't think the province or the feds should have done it, and I sure as heck am not going to do it as a municipal leader.

Mr. Prue: Have I still got time?

The Chair: A minute.

Mr. Prue: In terms of electricity, we have heard from other people today that electricity is produced in Atikokan at 3.3 cents a kilowatt hour and, if scrubbers were put on, it would be 3.8 cents, and yet the people up here are paying 9 cents for electricity they produce at 3 cents. Should the province cap the rates in northern Ontario? Should the province give tax incentives to people who live here if they're not going to cap them?

Mr. Canfield: This document, if you read it when you go back—I guess it's good bedtime reading—will explain it. We put that together and paid for it ourselves because we believe we have some solutions. In a lot of cases, with hydraulic, you can produce it for even less than 3 cents. We're on an energy island. I'm sure a lot of you know that you're shutting down industry in northwestern Ontario to keep the air conditioners going in

Toronto. It's not going to help, folks. The air conditioners are still going to black you out. We're not going to black out. We've got a surplus of power, and it could be a tool that could keep these mills open and be an incentive for business to come here. Right now, if you keep it up, a year from now, with the other paper mills that are going to go down in northwestern Ontario, you are going to have one dramatic surplus of power, we're still going to be paying the going rate and your air conditioners are still going to kick out.

The Chair: Now we'll move to the government.

Mr. Mauro: Thank you, David, for your presentation. I want to thank Mr. Prue for acknowledging in his comments that the downloading exercise that occurred actually occurred under a previous government. I think it's fair to say that most of the members in our caucus—and others will have an opportunity to speak—would philosophically agree that social program service delivery does not belong on the municipal property tax base. I'm sure all of us would love to upload it, just as you would. Many of us come from municipal council backgrounds, as you do, and we understand the challenges that municipalities are faced with as a result of that revenue-neutral exercise, which of course was anything but. So I just wanted you to know that I think all of us are there. Of course, you are aware of the fiscal challenges that the province finds itself in, just as municipalities do. I think we'd all like to go in the same direction; it's just difficult to get there.

The PLT piece that you refer to: I'd like you to expand on it a bit more. When I was at a NOMA conference not that long ago, about a year or a year and a half ago, I spoke at one of your events. There was an example given to me, I think at that same conference, of what PLT reform could do to enhance the abilities of municipalities to be economically viable. I think somebody gave me an example of using 50% or 75% of the residential rate and applying that to all the unincorporated properties that existed within the district of Kenora, the revenue stream that might potentially be there. So perhaps you could expand on that one for me and for the benefit of the panel, just to exhibit perhaps the opportunity that exists out there for some municipalities should PLT go forward.

Mr. Canfield: I'll use our municipality for the example again, because I think Dennis and everybody else has always used it because we seem to have the wealthier of them in the Lake of the Woods area and around. Actually, the assessment in the unincorporated realm of Kenora is as high as or higher than the city of Kenora itself. Some of these places are paying \$25 a year. They're sitting on a \$7-million or \$15-million estate and paying less than \$100 a year, not paying school tax, not paying any of it—a tremendous strain on our communities and the infrastructure of our communities. I asked the former mayor of Keewatin a little while ago when he was a president of NOMA at one time too if they were dealing with this back in the 1980s, and he said, "We were dealing with it in the 1980s."

The rumour, and I think the perception of a lot of people, is that there are a lot of very rich, influential people, and maybe the odd former Prime Minister and other people who are very influential, who have stopped this PLT reform from happening. That's just the feelings of people. The number was \$800 million, I believe—around a billion dollars in assessment—just around Kenora.

Mr. Mauro: In assessment, but the actual dollar value on a 50% or 75% residential rate was—

The Chair: Thank you.

Interjections.

Mr. Iain Angus: We'll get it for you.

Mr. Canfield: I would like to touch on one more thing, Bill, that you talked about on the financial situation. This financial crisis—and I'm not blaming your government; let's not point fingers, let's just fix it—was your crisis. You downloaded to municipalities and haven't been holding up your end, so it is the financial crisis of the province, not the municipalities. But you've shoved it on us.

The Chair: We'll move to the official opposition—

Interjections.

The Chair: Order, please.

Mr. Yakabuski.

Mr. Yakabuski: Thank you for your presentation. We just want to clarify one thing. There is no "s" in your name, right? It's Canfield.

Mr. Canfield: I think she changed her name because of that; I'm not sure.

Mr. Yakabuski: I did have the opportunity to see your presentation and the document that was put forth supporting the retention of the coal-fired generation here. Speaking to what Mr. Prue talked about, the fact that you're on an energy island and energy policy should reflect that because of the resource being used here, it's a very interesting concept. But if this government goes ahead with the closure of Atikokan, it really is a moot point. It doesn't matter if you can produce power there at 3.3 cents a kilowatt hour or \$55 a kilowatt hour; if you close the station, you're not producing any power there. I think that is the key here, that right now the government is committed to shutting down Atikokan. There's no talk of changes; they're talking about shutting down Atikokan. That's their commitment, to shut down this station. So, of course, it doesn't matter what the plan is for an energy island in northwestern Ontario if they go ahead with that policy.

The one thing I did see in that document was the work that has been done in other jurisdictions with regard to cleaning up coal-fired generating stations, and you commented on that very articulately in that document. Why is it that this government simply will not listen to those kinds of presentations?

Mr. Canfield: I don't know. Iain has asked if he can respond to that too; then I'll respond.

Mr. Angus: Mr. Yakabuski, I think one of the realities of politics is that from time to time parties will make political promises that they feel obliged to keep. Our job in the northwest is to find a way in which they can keep

their promises while not doing the damage that we believe is going to occur in terms of the closure of the Atikokan GS or the conversion of the Thunder Bay GS to natural gas. In the old days in Ontario, we tended to focus on environmental problems by ratcheting down the allowable emissions. I think that would be a better solution to the coal problem, if I can call it that, in southern Ontario, meeting the needs of the environmentalists and the community at large for a healthier atmosphere but not allowing the economies of Atikokan and Thunder Bay to be hammered by this particular decision. Our job is to find a compromise that works and allows everybody to be happy.

1350

The other thing that I think we need to recognize is in terms of the energy island. We have a real opportunity in the northwest. Should we reach a point where we can have lower electricity prices as an economic generator, a stimulus and a way to attract to the region industries that are heavily dependent on electricity—we can't do that right now with an all-Ontario type of policy—that's an economic tool that's easy to give us. It doesn't create problems with taxation levels or being accused of favouring the north over the south, and it really would facilitate our future.

The Chair: Thank you for your presentation.

Mr. Canfield: If I could just respond somewhat to that—basically Iain answered very well. I want to apologize if I sound like I'm picking on Toronto here. I'm not particularly picking on Toronto, but when you've lost two mills in your community in one year that should not have shut down because of policies that put them down, you're going to be upset. Put yourself in my shoes.

Mr. Angus: Also, the city of Thunder Bay delivered a presentation to you today. We weren't on the list. There are a lot of details that speak to what NOMA presented and what some of the other municipal leaders have presented, and I would encourage you to go through it. Thank you.

The Chair: Thank you very much.

KENORA-RAINY RIVER DISTRICT MENTAL HEALTH AND ADDICTIONS NETWORK

The Chair: I would call on Kenora-Rainy River District Mental Health and Addictions Network to come forward, please.

Good afternoon. You have up to 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of Hansard. You may begin.

Ms. Susan Marshall: Thank you. My name is Susan Marshall, and this is Jon Thompson. We are part of the Kenora-Rainy River District Mental Health and Addictions Network, which is made up of 16 executive directors or program managers of all the mental health and addiction programs in the Kenora and Rainy River district, as well as the funded peer support programs.

We're a very unique organization, and we've worked together for many years to create an environment of comprehensive, coordinated, seamless systems of service—words you've probably heard before. We expect to continue to work hard for mental health and addiction services when the LHINs, the local health integration networks, come into being.

You've heard a lot about the population and the lack of jobs and all of that, so I'll skip over that. I want you to know that despite all the factors that cause the determinants of health and mental health and addictions to be higher in this area, our programs work very hard to ensure that everyone who needs service gets it, despite the fact that our budgets are eroding. In order to demonstrate our commitment to fiscal accountability, over the last 12 to 15 years we have had to lay off staff, carry out vacancy moratoria, substitute one type of staff for another and run deficits until that became unacceptable. We are forced to restrict travel for client service and for any kind of regional planning. We've always offered to work with the ministry to develop more sustainable funding for our sector.

Our base budgets have only been increased by 3.5% since 1992, which equates to a more than 25% cut in our budgets. We're at the breaking point, as far as we're concerned.

We've brought 10 recommendations from our planning group for this committee to consider, and we'll briefly run through them.

Recommendation 1: We would like to see the Auditor General report publicly on a regular basis regarding the progress, or lack of progress, on the issues raised for the sustainability of our sector.

Recommendation 2: The Ministry of Health and Long-Term Care should demonstrate its accountability by committing significant and visible resources to our programs. By the way, when we had consultations about the LHINs and people were asked to choose their top health priority, mental health and addictions were number one province-wide.

Mr. Jon Thompson: In the short time we have, we'd also like to have you recognize that even though we have recently received some accord funding, the amounts are so small and/or the criteria for which they were developed just don't match very well the range of services we do in the Kenora-Rainy River district. That leads us to the recommendation that we'd really like to see you and also the federal government look at the practice of less prescriptive and rigid priority-setting when funding is identified for this particular sector. It's coming across in a way that's difficult for us to implement in an effective way. We really need the stability in our core service system first, before going off in a lot of exciting new directions and services. That's our third recommendation.

The fourth recommendation kind of flows out of that point as well. The type of funding that seems to be available for us now is often targeted at very specialized types of things, and I think we've come to realize over the years that it's our core set of services and functions

that really need attention, and that's the base funding. We'd like you folks to consider recommending increasing the base budgets for all mental health and addiction programs and peer-funded support groups. That would make more significant progress on the gap that Susan mentioned earlier.

Perhaps we haven't been clear about how we got this way. It's mostly due to inflation. We're not in a sector that has ways to raise large amounts of money. The Auditor General's report in 2002 indicated about a 15-year gap from lack of attention to this particular sector. So it's the inflationary costs that have driven up our cost of producing services over that period of time. For example, that 25% gap, in plain, ordinary English dollar figures, is about \$9 million in the Kenora-Rainy River district: the difference between what even the ministry benchmarks suggest for the various types of staffing and services we deliver and what we are actually receiving. What we've been getting instead, and only for the last three years, is the little amount that Susan mentioned, the 3%, 2%, 1.5%. You don't have to be an economist to figure out that we're not going to close the gap that way, even though we're perhaps going in the right direction. So we do need some attention to base funding.

1400

Ms. Marshall: We have to put in operating plans on a yearly basis. Many of our programs—quite a few different programs—are assigned to a hospital and some are community programs. So we have to do operating plans for a myriad of different programs at different times. It's a huge administrative inefficiency. We're stuck in this traditional pattern of being accountable, and it takes huge amounts of time.

Recommendation 5 is to harmonize the various business and budgetary cycles of the ministry so that the process of advice and input can be real and can have an impact in a timely fashion. For example, we know the Ministry of Health and Long-Term Care has given its estimates to Management Board prior to these consultations, and we also know that when that advice is given, we have actually not even done our operating plan process. So that's one of the recommendations. Rather than have our operating plans go in every year, and a multitude of operating plans, we would like to have longer terms of planning cycles. It's one year now, and we would like to have two to three years, much the same as the hospital sector. It would be much easier for planning and actually giving efficient service.

Mr. Thompson: The other thing we'd like to recommend, as recommendation 7, is that because of all the silos this funding is coming through—and they are numerous, from several ministries that some of us deal with—there is often an opportunity to generate a little in-year surplus; very small amounts. We'd like to suggest that any appropriately defined surplus funds that could be realized that way could somehow be kept in our district and retained for direct service delivery—subject, of course, to whatever acceptable approval process would derive from that.

The other thing we need to do—I think we've been on about this for many years. This would be recommendation 8: The ability to move money around on a much more global basis within the same organization—supplies, expenses, staffing, what have you—would certainly generate a lot more efficiency, if nothing else, and make a lot of our colleagues a lot happier. Most of us didn't go into this field to move money around creatively; I think that's another profession. We wanted to actually work with the people. This leads to a job, almost like a retention factor, where you have a number of managers and counsellors who are not interested in working because this is what their work has become. We'd like to be able to move the money around in those envelopes a lot easier.

The Chair: You have about a minute left in your presentation.

Ms. Marshall: We have only two recommendations left for you. Our programs have become overwhelmed by the multiple accountabilities required by the government. It has become totally inefficient. We must report in a bunch of different ways. For accord funding, it's one system; for the rest, it's a different system. We want the ministries to fund an equitable system to address administrative information, technology replacement and staff training. It has not been forthcoming, and many programs simply cannot afford to produce the amount of information that is required. A whole bunch of different financing opportunities are available that have the potential to provide some funding for our sector.

Recommendation 10 would be to develop a behavioural insurance tax; a provincial health recommendation care premium; designated percentage disability management; a provider fee for service; and private insurance. That's our last recommendation. We'll be putting a more detailed report in to you, but I would like to say that I run a peer support program and I'm a person who lives with mental illness, and I would not be joyously paying taxes except for the services of the mental health and addiction agencies.

Mr. Thompson: Thank you for the time with the committee today. We appreciate it.

The Chair: Before we go to questioning, I wonder if, at the end of the questions, you would share a copy of your brief with the clerk so that we might have at least one copy of the recommendations.

The questioning in this rotation will begin with the government.

Mrs. Mitchell: I just have a couple of very short questions. First of all, I wonder if you could give me a sense of—we have heard repeatedly today through a number of presenters about the economic downturn that the north is experiencing. As you are the first hand out in the field, I'm sure you can give me a sense of how you're seeing that affect the services that you provide. Then, my second quick question is, one of your recommendations is that we become less prescriptive in matching it with the funding formula. Is that directly linked to my first question?

Ms. Marshall: The economic downturn is going to have a huge impact, but we don't have any good, quali-

tative information about that. We certainly know that we're affected by larger numbers of mental health issues in this area, and substance and abuse problems as well; we've got more than double the average provincial suicide rate, all of that. Our services are extended to the max. We're serving more people in this area than other programs would.

As far as being too prescriptive in the funding, usually when new funding comes down, they specify exactly what type of program will be funded, how you will hire and how much money you get for that program. Quite often, they're not even viable programs for this type of area, but we're forced to comply with that.

Mr. Thompson: I would add to that just a little bit more too: There's always a delay factor when these economic challenges happen in resource communities. In Atikokan, this is the third or fourth time their particular community has been challenged. But I know counselling and helping it get transitional counselling of various kinds, for example, was a part of this community's surviving.

It's always a little hard to measure the direct contact because we're fully utilized all the time—good times and bad. People seem to get themselves in difficulty with the kinds of issues we deal with. But we'd certainly like to recommend that there needs to be this type of transition. We will be in place as some of these communities go up and down, as we have been for many, many years. For us to be here for them as they go through those difficult times, we need that kind of support.

For example, somebody likely will identify—and I don't even want to use the word—something like a transitional counsellor, and then that will get funding. But we've got the counsellors now. What we really need to do, if we deal with our base funding: Those counsellors can do the work they'll need to do—that they will be doing—because it is related to addictions, violence and mental health and stress issues, if that helps to answer the question about the category. Just by addressing base funding, you're investing both in good times and bad.

The Chair: Thank you. Now we'll move to the official opposition.

Mr. Hudak: Thank you very much for the presentation. I have similar questions to my colleague: When the Power Workers' Union was here earlier, they indicated that seven paper machines have closed down recently in the northwest. Two chemical companies, sadly, are closing the doors, and we fear much more. We have folks here from Dryden; Weyerhaeuser recently had layoffs as well. Are you seeing these layoffs and uncertainty manifest themselves today in demands for mental health services and counselling?

Ms. Marshall: I can't answer that qualitatively, but I certainly know that in the last year, the services where I work have double the number of clients that we had.

Mr. Hudak: Are you in Kenora yourself?

Ms. Marshall: I'm from Fort Frances. I run a peer support program that operates in the district, but all of the peer support programs have certainly had, the membership that comes in, way more numbers of people in distress.

1410

Mr. Thompson: I think there is some anecdotal evidence. It's too bad some of our colleagues weren't here. I too unfortunately am from Fort Frances, and we've only had the odd blip threaten, so it's hard to tell. But I think in some of the other communities like Atikokan, Red Lake, Sioux Lookout and Kenora, there might be those kinds of measures.

There is a delayed impact, if the people are still around and whatnot. A mill doesn't close and then there's a big line-up at the door the next morning. I think the other measure, though: You will see that there's an ugliness that starts to creep into communities. You get the cynicism, the depression. You just feel that everybody, even the people who were nice before, becomes cynical and the nasty people are nastier. I don't know, it's that kind of stuff, and it's difficult to try to get a handle on that at times, but it's that kind of thing.

I think you'll also see, though, more use—because we don't engage or we can't grab the public quite in the way we'd always like to, the other sectors you'll hear about or see are in corrections, in the crime statistics, maybe in the emergency room usage. I mean inappropriate usage, where people might go to something else first. Chances are that we'd get involved, but there's a delayed reaction in some of that as well, so it is kind of hard to tell.

The Chair: Thank you. We'll move to the NDP.

Mr. Prue: I'm most intrigued by your discussion about budgeting, about getting money for programs for which you have virtually no call, having to spend the money there and then taking away and not being able to spend money, not having sufficient to spend, in other areas where there's a huge need. Are you aware of any health programs at all where some bureaucrat at Queen's Park doesn't sit there and tell you exactly how to spend the money? Is there any other program that just gets a global budget, something we can fashion this on? I really do know what you're talking about.

Mr. Thompson: Well, I think some of the other—for example, even in health care, the hospitals have much more global movement of funds. The physicians certainly do. Basically, when you hire professional people, you say, "You do this range of services." It's as simple as that. It's like the funding is almost down to the technique. I'm a manager of counsellors, but I'm a professional social worker. It's almost like they're taking my profession and, "You can do these acts. We'll give you money for those, but not those acts." But I was trained to do those acts, and they need to be done in harmony and integration. It's like trying to tell a physician that he can only do certain kinds of things. Actually, that has happened in medicare too. That's where you start tinkering with the fee scale, what they get fees for it, in the old fee-for-service model. That's why you can get your health care workers doing perhaps whatever you want to do. I just think that's dangerous. In our case, somehow that's gone into a program.

I'll give you a good example of that. I bailed myself out this year by accepting money for case management. I

don't really need case management per se, but I had to cut a mental health counsellor and then re-employ them as a case manager. That's just a big, stupid waste of time. We're a sector that's here, trying to have people's understanding and support. I don't know how to go and present that to somebody who might want to use my service as a meaningful thing to do. Actually, I probably won't even tell them. They don't care. As long as that person is there and they can get some kind of help from them, they don't care what you call them. So we're playing this very foolish, time-consuming and wasteful game when we just need to either commit to this range of services for our citizens or we don't. It's about as simple as that for many of us.

The Chair: Thank you for your presentation.

MUNICIPALITY OF SIOUX LOOKOUT

The Chair: The municipality of Sioux Lookout, would you please come forward.

Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questions following that. I would ask you to identify yourselves for the purposes of our recording Hansard. You may begin.

Ms. Cathy Kiepek: Thank you very much for this opportunity. My name is Cathy Kiepek. I'm the mayor of Sioux Lookout.

Mr. Dennis Leney: I'm Dennis Leney, councillor for Sioux Lookout, and I'm also a representative of the Kenora District Services Board.

Ms. Kiepek: The municipality of Sioux Lookout shares a lot of the issues that have been raised about the economic situation of northwestern Ontario. We have a sawmill, and it is our only industry. So it's very important to us.

But we're here to discuss one of the other items we've been wrestling with, and it has been mentioned already: the Ontario municipal partnership fund. I've included in the package a map to show you where Sioux Lookout is and to discuss part of the unique situation that Sioux Lookout has. The map is there to show that there are 28 remote northern First Nation communities and we're the service community for them. We have the regional Meno-Ya-Win hospital; the NNEC, which is a First Nation Pelican Falls high school; Wahsa; Tikanagan Child and Family Services; NAPS; and we have three tribal councils, so we're very busy. That explains part of the fact of the high policing costs.

I'll go into our written presentation for you, now that you know where we're at.

The implementation of the Ontario municipal partnership fund model has had and continues to have a dramatic and negative impact on the municipality of Sioux Lookout. The additional financial burden this funding formula has placed on the ratepayers of Sioux Lookout is numbing. Due to formula changes for the policing portion of our grant, our share of policing costs soared to \$1,705,186 in 2005, an increase of 791%. This net cost is one third of the total taxes that we collect through the general tax levy

for all municipal purposes. We previously paid \$90 per household in 2004; therefore, our share of the cost was \$215,550. The new formula sets a base of \$150 per household, with the remaining eligible costs being shared equally with the province. Up until 2005, the province reconciled the funding. For the years 2003 and 2004, we actually had to lobby for the reconciliation. It had a huge impact on our cash flow, because we had to pay and we weren't sure if we were getting it back. We did, finally. Last year, the province offered the stable funding guarantee that ensured the funding would remain at the 2004 level, but that level is the level of funding prior to any reconciliation. It simply isn't enough.

The municipality of Sioux Lookout cannot afford to continue with this Ontario municipal partnership fund model. We simply do not have the financial capacity. Our municipality is actually in a growth mode, but it is a slow growth with relatively no industrial base. We have no reserves. We have no more ability to put money back into our capital reserves. We've used the savings that were supposed to go into the capital roads projects to reduce our tax rate. The increase would have been 26%, but with the savings, we held it at 11.82% for the 2005 operating budget. Our infrastructure is deteriorating, and any new revenues should be earmarked for that.

Prior to the announcement of the OMPF funding, the province brought together people from various municipal organizations and municipalities to form a CRF review committee. Our treasurer was a member of the former CRF review committee, and that committee adamantly advised the province that the proposed funding model wasn't going to work. It didn't work when it was first implemented, it doesn't work today, and it will never work for us. We have written countless letters trying to find a solution to our dilemma—we have written so many letters out there that I did not include them in the package; I'm not sending a new message—but no solution has been offered to us yet.

We have been in touch with the Ministry of Community Safety and Correctional Services to explore the opportunity of our municipality being designated as a special area pursuant to section 13 of the Police Services Act. That was a recommendation we heard during a previous meeting. We've been advised that section 13 does not appear to contemplate the designation of an entire municipality as a special area. Several provincial ministers have acknowledged the uniqueness of our policing requirements in Sioux Lookout. They have all directed us to the Ministry of Finance. The Ministry of Finance is the sole ministry that can revise this formula, and we desperately need a revised formula.

1420

We were advised that we could receive money to fund new officers for our municipality through the Safer Communities—1,000 Officers partnership program. Notwithstanding that we are ineligible to participate in this program, we don't need new officers; we need money to pay for what we currently have. A solution must be

found. We know that the Ontario municipal partnership fund isn't the solution.

Our council members and senior staff have been advised that your government understands our unique situation as it pertains to policing, and that special consideration should be given to our community for OPP costs. To date, we have not been the recipient of any special consideration.

The name "Ontario municipal partnership fund" signifies a partnership. In a partnership, each partner gets something meaningful out of the relationship. Where did the province get their advice when creating this partnership? This partnership isn't working. It is incumbent on the province to find a solution to the dilemma that this and other northern municipalities find themselves in. We are powerless to resolve it on our own.

To further add to the pain, in the years 2006 to 2008 there will be a phase-in adjustment to the Ontario municipal partnership fund and our funding will be reduced even more. The province made a commitment to examine the effectiveness of the Ontario municipal partnership fund over time and if necessary make appropriate adjustments in future years to ensure its continued responsiveness. This funding never did respond to the needs of Sioux Lookout. We were told that the new Ontario municipal partnership fund would support a significant strengthening of our communities. Financially, our community has never been weaker.

I ask you during this pre-budget consultation to consider your partner municipalities. We cannot continue to pay these costs with continued reduced revenues.

Thank you very much. In your package there is also a blue sheet. I will let Councillor Leney speak to that.

Mr. Leney: This is pretty well the summary of what Mayor Canfield has said: that for the Kenora District Services Board, with all the downloading, it's just getting past the point—we as a district services board can't keep asking the municipalities to pay for things. Right now, we have a potential problem with a building that's going to cost us \$2.1 million, and it's either going to be a case where we have to put 75 senior citizens out on the street or go into bankruptcy trying to do it.

Mayor Canfield was addressing the fact that the Kenora District Services Board, on page 8—oh, by the way, this package isn't there, but gratefully, Kenora will include it with theirs. I guess we couldn't afford the extra—no, we could afford it; we just didn't have it. Anyway, on page 8 it tells that there is over a \$600-million potential out in the unorganized area. It's something we have to be able to tap into for your government. If we can tap into it to give us more money, then we can start reconciling all these different problems.

We thank you very much for your attention.

The Chair: Thank you. We'll begin this round with the official opposition.

Mr. Yakubuski: Thank you very much. On this OMPF, we heard from other municipalities this morning on the same issue. When the government was deciding to replace the CRF—they recognized that there were areas where that simply wasn't functioning as it should have—

they much ballyhooed this OMPF partnership. We have nine out of 10 here in the north who have said that they're losers—some of them huge losers—under this formula. How did they get it so wrong?

Ms. Kiepek: Our treasurer, who was part of that review, would like to know an answer to that too. She is still waiting for that. She participated in part of that process.

Mr. Yakabuski: Did they listen to municipalities at all in the formulation of this or just, at the end of the day, they wrote up what they wanted?

Ms. Kiepek: I wasn't at the table, so I can't answer that.

Mr. Prue: This is a good mayor. She knows exactly what to answer.

Mr. Yakabuski: Thank you very much. I'm not sure if my colleague Mr. Hudak has any questions.

Mr. Hudak: Thank you, Your Worship and Councillor, for making the trip and making the presentation. I remember the minister standing up in the House and saying with a straight face that the OMPF funding was going to increase funding to municipalities, and we had colleagues saying what a great formula it was, but we're hearing different evidence when we actual speak with municipal officials.

The two biggest issues we're hearing about at the hearings today are the proposed closure of the Atikokan generating station and the crisis in the forest industry; high energy prices, the loss of the machines in the north-west. What kinds of impacts are we seeing in the Sioux Lookout community as a result of those economic misfortunes?

Ms. Kiepek: We're a very close network in north-western Ontario. In Sioux Lookout, we actually have a sawmill. Through the years of integration, what affects one industry will affect the other. So you have a sawmill, but that sawmill is also producing wood chips, and the wood chips have to go to another plant. When that plant shuts down, what do you do with your wood chips? Sawdust: That's another commodity now—things that used to be waste products. There's a huge spinoff: the issues with the wood baskets, the roads going through. None of us is immune from it. Some of those feeling the first impact now are definitely the pulp mills because they're the higher energy consumers, but the sawmills are not safe at all either. So it is a worry. We will feel the impacts of the other mills a little slower.

The Chair: We'll move to Mr. Prue of the NDP.

Mr. Prue: I have two separate questions. The first one has to do with the police budget. We've heard, I think, nine announcements now about new police officers. Quite clearly, you don't need new police officers but you do need money just to pay for the police you have.

Ms. Kiepek: That's correct.

Mr. Prue: You've made the point very well. You're one of the few communities that isn't asking for more police officers. In lieu of, has the ministry offered you simply additional monies to maintain the police force you have or have they just ignored you?

Ms. Kiepek: We have no additional funding, no offers.

Mr. Prue: So the only way you could get more funding is to ask for more police that you don't need.

Mr. Leney: Which isn't going to solve our problem at all. We're going to end up with more policemen, but it's not going to solve the problem. We're going to end up in exactly the same position as Pickle Lake is in. We will be bankrupt.

Ms. Kiepek: Right now, we have a basic contract with the OPP, which means we do not determine what level of services we want. This is a very basic one. We say we will contract with the OPP, and the number of police officers we need is determined by provincial standards and levels. If we wanted to go to police services, we'd have to have the additional costs of having a police services board and having staff trained for that. So we are at the basic one. We can't afford that cost.

Mr. Prue: My second question relates to social housing, which was very briefly discussed here. We had some municipalities this morning that said they don't need new social housing but they do need money to fix up that which already exists. Would your community be similar to that or are you in need of more social housing? The province is slowly but surely saying, in announcement after announcement, that one day they'll build some. Are you looking for some built or are you just looking for money to fix up what you already have?

Mr. Leney: Under the KDSB, we right now have a wait-list of 651 people looking for residence in our area.

Mr. Prue: In Sioux Lookout; so you need more.

Mr. Leney: Yes, definitely.

Mr. Prue: Have you been approached in any way to build some?

Mr. Leney: We'd like to build some, but we have to have the money to do it. The district services board has to have the money, the municipalities have to put up so much money, and we just don't have the money to do it, which is the same case, as I said in the presentation, with KDSB. When we've got a building that was downloaded from one of our other governments that is \$2.1 million, it's going to be just about impossible for us to do that.

1430

The Chair: Now we'll move to the government.

Mr. Arthurs: I'd like to explore a little bit more the policing issue, because I've heard it before, and certainly Pickle Lake has been raised as one example of another that we'll have to deal with.

Your tax rate increase last year—you drove it down from 26% to 11%—is even tough for your constituents as well. That's not a desirable tax rate either to have to pass on.

How much of the increase was driven by your policing costs, and if policing were out of the equation from the standpoint of the OMPF as opposed to the CRF, does that make life better than—it's never perfect, obviously, for the municipalities, but does that begin to provide the kind of stability that the municipality would need?

Ms. Kiepek: It would be a huge component, because right now any of the money we had has to go to cover

policing costs. When we mention the infrastructure, it's the roads, the sidewalks—I think that citizens would still complain about that rate of a tax increase. But if their roads were paved and they could see that the arena didn't look like it needed a lot of work, they'd know where their dollars are going. It was a huge impact. It was the policing costs and some of the other transfers that we had to do.

Our own increase—we had a slight decrease in our operating costs.

Mr. Leney: Which we had to do.

Ms. Kiepek: Yes. So where we could cut back, we have. But Sioux Lookout is a restructured municipality, so in 1998 it went from a small municipality to a larger area. The province had savings, because there are no longer any of the roads boards out there. Two services boards were absorbed by the municipality. So I can say that there was a saving within the province. But now, all of a sudden the same population, the core municipality, was paying for all these other costs out there too.

Mr. Arthurs: And you really have no way to control your policing costs. The province, by formula, dictates the number of police officers you need. Do they still bill you for level of service on a service call basis or the number of kilometres travelled, the number of hours? I'm not familiar with the details. I probably should be.

Mr. Leney: We just had a meeting yesterday with the staff sergeant. They bill us for the amount of services they do for us in our community. As the mayor said, we have a big problem because of the large area. We have not only our area but we have the 28 communities north of us. Our airport is probably the third-busiest in Ontario for the size of the airport. We have just numerous aircraft that come in there, and with the health authorities we end up getting more policing costs out of that too.

Ms. Kiepek: One of the other factors: We're not an unlawful community; it's a relatively safe community, with Tîkînanag Child and Family Services, with the high school that we have, because if one of those children misses curfew, that has to be reported to the OPP as a missing person. As you know, with a missing person, that takes a lot of manpower; so it's not just like my child coming home late. There are a lot of these additional costs that are not in your average community.

The Chair: Thank you for your presentation.

Ms. Kiepek: Thank you very much for this opportunity.

WEYERHAEUSER

The Chair: I call on Weyerhaeuser to come forward, please. Good afternoon.

Mr. Dan Dedo: Good afternoon.

The Chair: I've seen you sitting there, so I assume you know this, but I'm compelled to tell you that you have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I'd ask you to give your name when you begin your presentation.

Mr. Dedo: My name is Dan Dedo. I work for Weyerhaeuser in Ontario. I'm the provincial forest lands manager for Weyerhaeuser.

I'm going to spend a little bit of time speaking with you about three main areas. I want to give you an overview of our operations in Ontario. I want to review with you some of the good work that was started by the committee that Mayor Canfield talked about, the Minister's Council on Forest Sector Competitiveness; and then I would like to leave with you Weyerhaeuser's perspective of three key investment areas that we'd like to encourage the government to make as they consider their budget for 2006.

Weyerhaeuser in Ontario has four facilities. We span the province from Kenora to Wawa. In addition to those two towns, we have operations in Ear Falls, which is a very small town an hour and a half north of Dryden, and obviously Dryden is our pulp and paper facility.

The facilities that we have in Ontario in total employ just short of 1,400 people directly; that's our existing facilities today. Also, the facilities that we operate in each of those municipalities or within those towns are the single biggest private sector employer in those communities. You hear the words "economic engine": Our mills represent a large portion of what drives the economy in those communities, and those are four communities.

Our facilities produce a range of products. We have the newest facility in Ontario in Kenora. It's a state-of-the-art, engineered lumber-producing facility. It uses what used to be a waste product and produces an engineered lumber product. Our facility in Dryden produces a fancy thing called uncoated free sheet. Do you know what that is? That's the paper you're looking at today: photocopy paper. Our facility in Ear Falls is the sawmill, which produces two-by-fours and two-by-sixes. Our facility in Wawa produces the highest grade of underlayment. If you're building a house, it's the stuff that goes underneath your floor.

Weyerhaeuser is relatively new to the province of Ontario. We entered the province in 1998, purchasing some of the operations from existing companies. Since 1998, we as a company have invested just short of \$600 million within the province. That's through the construction of the facility in Kenora and upgrades within all of our other mills.

On the average, and I don't think any of our industry competitors would challenge this, we run the newest facilities within the province and, quite likely, the facilities that have seen the highest level of capital investment. What I wanted to leave you with there is that these facilities are not at the end of their life. They're facilities that are relatively new and that have been relatively well maintained and well capitalized from an asset perspective.

The other thing that all of our facilities share in common, and this is not a good thing for these facilities to share in common: If we look across the Weyerhaeuser system in North America, to a single facility, each of these facilities in the businesses that they represent is a

bottom-quartile performer within Weyerhaeuser. The common theme for those facilities around being bottom quartile is really two main areas: The first area is energy; the second area is fibre. That's what the facilities share in common.

If you're following along in the presentation, we just covered the next pictures. Now we're into the words.

Moving a little bit closer or a little bit broader out to talk about what the industry represents in Ontario: You've heard people like Mayor Canfield refer to, "You could perceive this as a northern issue; the forestry crisis is a northern issue." We'd really like to put our perspective forward that it really isn't a northern issue.

The industry in Ontario employs a little over 275,000 people. We generate, as an industry, about \$19 billion in annual sales. We contribute about \$8 billion to the trade balance. We pay \$3.2 billion worth of taxes. Some of that goes to the federal government, some to the provincial government and some to the municipal governments. I guess we have to come out of our incognito. Mayor Canfield was talking about a company, and he did a very good job masking the \$600 million worth of investment. Well, I'll stand up. The company he's talking about is ours. Within the province, we buy \$600 million worth of stuff. Of that \$600 million worth of stuff, we buy \$300 million south of Parry Sound. So we purchase a lot of goods and services from southern Ontario.

I want to shift gears and move into the Minister's Council on Forest Sector Competitiveness. The slide, for those of you who have it—the words are pulled right out of the minister's committee on competitiveness—speaks about a crisis in the industry: "Action is urgently required to prevent predictable and irreversible" harm. It talks about 12 mills that were at risk across northern Ontario.

1440

I would like to put forward that the folks who were part of that committee were prophetic. They looked forward into the future, and many of the things they said were going to happen have happened. We've seen mill closures since the committee released its final report.

Weyerhaeuser believes that Minister Ramsay should be commended for the work that started: hats off; an excellent initiative. He gathered absolutely the right group of people around the table, and the people around the table did an absolutely terrific job in cutting through the issues and coming forward with the things that need to change for the industry to be viable within Ontario.

I want to talk about two specific things: fibre and energy. If you're in our business, there are really three things that you throw into the mixing pot to produce a product. One of them is fibre, the second is energy and the third is people, obviously, to put the fibre and energy together to produce the product.

The people: We have been working jointly very hard in our operations with the unions that represent our employees. We have, to the credit of many of the people who have come down on the bus today, state-of-the-art work systems. We are working on that and we're very comfortable with the direction that has taken.

The second piece of the equation is power. I'm going to say, a little bit later, that this is one of the areas we would like you to consider to assist the industry. What we've seen, from a power perspective, since deregulation is a 36% increase in power costs. That's what our electrical bill is. That 36% is outstanding enough when you hear that number, but I tell you that our electrical bill is \$20 million per year, so it's a very significant input into our business.

The third thing that goes into the mixing pot is fibre. Fibre is the single biggest line item on any of our mills' balance sheets. Fibre, for the business I represent, is \$180 million a year. That's what we spend as a company, year in and year out, on fibre.

The minister's committee talked about fibre cost. Mayor Canfield talked about it. The way we would characterize where we rank in the world from a fibre-cost perspective—and I have not seen data that would counter this—is that we are virtually in the highest-fibre-cost jurisdiction in the world. We have not found another jurisdiction with higher fibre cost. It's a very, very significant issue when fibre represents your single biggest line item. If we were close to the average, it might not be as big a deal. Where we rank from a fibre perspective—the world average is \$35 a unit or cubic metre; the average in Ontario, as of the beginning of this summer, was \$55. You can see that we're not 1% or 2% away from the average; we're about 56% away from the average—the same companies we compete with in the industry to sell product.

We believe that in order for our company and likely the rest of the industry to stay in the game, we need to close that gap by about 50%. We need to see a reduction through initiatives from your government's perspective, as well as from our perspective, of about \$10 a cubic metre. We're not going to close the gap completely; we would like to close the gap by about half.

The next major area of input is energy costs. I can make pretty well the same statement around energy. We operate right across North America. When we chart our energy costs in our mills, with the five states and four provinces we conduct business in with pulp and paper operations, the end of the cost curve that we come out on is the absolute wrong end. We are the highest-cost jurisdiction from an energy perspective.

I want to give credit to the minister's committee. They have begun to enact some of the recommendations. There have been some loan guarantees. For our company, it's not an issue. We can get capital—people will stand in line to lend us money—so the loan guarantees may help some other companies, but they haven't helped ours. There have been some initiatives around helping with inventory. Thank you very much. There have been initiatives around helping with roads. What has been tabled by the government so far equates to a reduction of about \$1 per cubic metre. We were at \$55, we are \$54, and the world is still at \$35. I guess we would say it's a good first step, but we need to continue the work that was started, and we do need a material change. A dollar change is a

move in the right direction. Is it going to keep us in the game? I don't think it will.

The Chair: You have about a minute left.

Mr. Dedo: Thank you very much. We think there are several things the government can do. First off, we don't believe the hill is insurmountable. We absolutely believe we can get over the top of the hill. We need the government to help us with fibre costs. Specifically, we're asking the government to enact the recommendation that dealt with 100% of funding for primary and secondary roads and 50% of the funding for the construction and maintenance of primary and secondary roads.

The second thing is that we would like the government to enact a 50% fuel tax rebate. Our equipment runs off-highway, so we are building and maintaining many of the roads today that we're paying fuel tax on.

The third recommendation is to deal with the energy piece. We would ask for two things there. We would ask the government to impose a revenue cap until there truly is a competitive market in Ontario from an energy perspective. We're talking about a revenue cap. The second piece around energy is that we would ask that the move to close down the lower-cost facilities be looked at again and put on hold until there are viable low-cost energy-producing alternatives. Thank you very much.

The Chair: Thank you. We'll begin this round of questioning with the NDP.

Mr. Prue: Thank you very much for your presentation. It was quite good. There was something I wanted to ask, and you're the first person who may be able to answer this. Last week Maclean's magazine had a story about the wood business in Canada—pulp and paper, fibreboard, all of it—and how it was declining and how the companies here, which used to be the biggest in the world, are not any more. It talked about the spectacular success of Sweden and Finland and their companies. I was just wondering if you could comment. Is it the energy costs? Is it the private ownership of the forests, which they suggested was one of the things? Why are they suddenly the darlings? Why are they suddenly so successful and we, surrounded by trees, are not?

Mr. Dedo: I'm not as familiar with Sweden as I should be, but I'm very familiar with Ontario. I can look at the competitive disadvantages that were advantages two or three years ago. Fibre was one of the reasons why companies were investing in Ontario: low-cost, available fibre. That has flipped around. The fibre is essentially the highest-cost fibre in the world, and from a supply perspective, some mills are seeing a shortage of supply. That's number one. Energy: When you work and live in a jurisdiction where energy is some of the highest cost, energy has a pretty major impact. That quickly slides you down the cost curve or the competitiveness curve. Those two things are pretty prime inputs that put us on the wrong end of the competitiveness scale.

Mr. Prue: In terms of a price cap, would you prefer to see a price cap as opposed to, say—I guess the alternative would be a government subsidy, at least in the short term.

Would you think that a price cap on electricity is a better way to go?

Mr. Dedo: Yes. Speaking from Weyerhaeuser's perspective, we are not looking for government subsidies. We're looking for assistance to improve the competitiveness of our facility. Today we do not have a market. We say that we have a market, but essentially there is only one significant producer in the market. We're saying that until there is a market, let's put a revenue cap on that, and at a point in time when there is a true market, then let's look at that again. We need short-term, immediate help.

The Chair: We'll move to the government.

1450

Mr. Mauro: Thank you, Dan, for coming. I appreciate your presentation. You mentioned that in the last two or three years, fibre costs have increased significantly in Ontario. What's happened in the last two or three years that's changed the cost of fibre to your mill?

Mr. Dedo: Probably two or three things, Bill. We've seen a very significant change in the guidelines and the regulations that we work under. Mayor Canfield mentioned that he sits on the technical committee for the province. That impacts us; the rules by which we play the game have changed significantly.

Mr. Mauro: So is this the red tape piece, one of the recommendations in the forestry council report?

Mr. Dedo: It's absolutely one part of the red tape process.

Mr. Mauro: Just to be a little more specific, are we talking about the protected lands that came in under Lands for Life? Is it the wildlife habitat created as part of that process or other processes that means there is less fibre close to the mills so you have to travel greater distances, which increases the fibre cost?

Mr. Dedo: More so the bureaucracy. One way I could demonstrate that is that when I began my career about 15 years ago, a forest management plan was that thick; that's how thick it was. The last forest management plan we submitted was 14 binders tall, and the binders were four inches. So the cost of producing those 14—we're very happy; we produce the paper that's printed on. But the cost of that plan is \$1 million.

Mr. Mauro: And you have to do that every five years?

Mr. Dedo: Every five years.

Mr. Mauro: So besides the guidelines, what are some of the other things increasing the price of fibre?

Mr. Dedo: The guidelines are increasing the price of fibre. The guidelines have also driven the distance that operations are away from town, so there is a bunch of things.

Mr. Mauro: At the Dryden mill, one machine is to go down April 1, I believe. Is that right? I was talking to one of the gentlemen outside. The product there is uncoated free sheet. Is that what it's called? So you're going to be moving away—the other machine produces the same product?

Mr. Dedo: That's correct.

Mr. Mauro: If you close that machine in Dryden, you, being a North American international going concern, do you transfer that capacity to one of your other mills?

Mr. Dedo: No.

Mr. Mauro: Why not? If the costs of production are what's causing the closure here, why wouldn't you transfer the production to a lower-cost jurisdiction within your own corporation?

Mr. Dedo: Because the market demand isn't there—

Mr. Mauro: Okay. I understand what the answer was going to be. I'm just trying to put it on the floor. There are a whole host of variables affecting what's going on in this industry, and in this case, in fact there's a glut on the market for this particular product, fair to say, and that has driven the decision to at least some degree.

Mr. Dedo: No, I don't think I would characterize it that way. We do business in a market that's declining, but there is still a market. The way I would categorize it is that the mills that will continue to produce are the mills that are the most competitive or are in the most competitive jurisdictions. If you look at the number of mill closures, people impacted across Canada, over 50% of the jobs lost across Canada are in Ontario, so Ontario is taking a huge, disproportionate share.

The Chair: Thank you very much. We'll move to the official opposition.

Mr. Hudak: Thank you for the presentation. I actually had the chance to visit the Weyerhaeuser plant in Dryden in December, so I appreciate that opportunity.

There are two points that I wanted to refresh my memory on. As Weyerhaeuser, you're probably number one or number two internationally. If you want capital to invest in your plant, you've got to make the case back down to Washington, right?

Mr. Dedo: We compete for capital with every other facility that Weyerhaeuser operates.

Mr. Hudak: So when you're going forward for proposals, say, on your cogen plant and that sort of thing, what kind of reaction are you getting from head office, given Ontario's current energy and forest policies?

Mr. Dedo: Our reaction is that in order for us to even bring a proposal forward, we need to fix two things: We need to fix the fibre cost and we need to fix—we basically need to fix the fibre cost before we're able to come forward with any proposal for energy.

Mr. Hudak: Otherwise, don't even come forward with any plans to do the cogen facility or expand in any form.

Mr. Dedo: No.

Mr. Hudak: I think my colleague had a question, Chair.

Mr. Yakabuski: In those two items, you were articulating the difference between Sweden and Finland and ourselves. If those are your two biggest items, clearly those must be the areas where they have advantages, because for this kind of industry, those are going to be their highest fixed costs, no matter where you are.

Mr. Dedo: Correct.

Mr. Yakabuski: Fibre and energy are going to be their highest costs, so clearly those are the problems in this jurisdiction in the province of Ontario: the cost of fibre, which you have indicated is driven largely by the amount of regulation and paperwork that you people are expected to do and a number of things that you are expected to do in the process of harvesting timber; and also the energy, which is clearly the highest cost of any jurisdiction that you compete with.

I would ask you, do you think we're going to improve that situation under the government's current energy policy, which is to shut down, for example, the generating station in Atikokan, and all coal-fired facilities across the province? Do you expect that our energy costs are going to decrease if that policy is implemented, or will we see them further increase?

Mr. Dedo: The data that I've seen up to this point would show the counter: that energy costs will actually increase as a result of what you're speaking about.

Mr. Yakabuski: Which would make it highly unlikely that you're ever going to get the go-ahead from your head office, if we can't control those two things.

Mr. Dedo: No. Essentially, the go-ahead from our head office is tied to fibre cost. You fix fibre, and we'll have lots of time to talk to you about some possible energy reduction projects—for us, that would be cogeneration—but until you're competitive from a fibre perspective, no.

Mr. Yakabuski: But if you're not competitive from an energy perspective, you're not likely to be investing here as well.

Mr. Dedo: No, it's really from a fibre—
Interjections.

Mr. Dedo: I know where you're going. I can't go there. Fix the fibre, and we'll talk to you about energy.

The Chair: Thank you for your presentation.

Mr. Dedo: Thank you very much.

CITY OF KENORA

The Chair: Our next presentation is from the Northwestern Independent Living Services. Seeing no response, the city of Kenora. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questions following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Rory McMillan: Good afternoon. My name is Rory McMillan. I'm a city councillor with the city of Kenora. On my left is Mr. Bill Presentanz, our chief administrative officer, and on my right is His Worship Mayor Canfield, whom you've heard already today and will continue to hear from.

Our speaking notes are in the packages that were distributed to you. I'm not going to go through every note, but I'll highlight the areas I can. We've also, as was stated by the municipality of Sioux Lookout, included the district services board presentation in the package. It's unfortunate they didn't receive an invitation to present.

Kenora, along with other northern municipalities, has continued to face mounting fiscal challenges under the burden of escalating operating costs and increasing demands from external organizations, particularly those organizations that provide the services originally down-loaded to municipalities in 1998. Coupled with our aging infrastructure and significant annual infrastructure deficit, there is no question that Kenora, as with most northern municipalities, is in a precarious financial position at best.

Today, however, Kenora is poised on the brink of an economic and fiscal crisis. Recent events, both locally and at senior levels of government, have resulted in significant impacts to Kenora's local economy and the long-term stability of the city's financial situation. Key recent events include the permanent closure of the Kenora Abitibi-Consolidated mill, with a corresponding loss of 365 full-time permanent jobs and approximately \$61 million to the local economy; the permanent closure of Devlin Timber, with a corresponding loss of 45 full-time permanent jobs; and the recent change in provincial funding under the new Ontario municipal partnership fund, resulting in significant related long-term annual funding cuts for Kenora.

These announcements have left the city scrambling to determine where it can go from here. The city needs to determine how it can recover and move forward in the wake of these significant financial impacts while continuing to maintain its current service levels to both the community and ultimately its taxpayers. At the same time, the city continues to bear significant pressure from special interest-ratepayer groups such as Ratepayers After Fair Taxation for tax concessions such as area rating.

1500

So we are here before you today to tell you that there is no question that the city of Kenora needs help—your help. Our only question is, “What can you do to help the city of Kenora in this time of crisis?”

Over the next few minutes, I will briefly outline each issue and provide you with a recommendation for consideration within the new provincial budget.

The Abitibi decision: We have lost two mills in less than one year. To a community the size of Kenora, the impacts of this closure are staggering, if not devastating. As stated, the direct job loss represents 365 mill jobs. The city will immediately lose \$405,000 in tax dollars annually through the vacancy rebate program and \$623,000 annually in revenues to the various city utilities, which include water and sewer, solid waste, Kenora Municipal Telephone Service and Kenora Hydro. In the longer term, the tax impacts are unclear and will ultimately depend on the decisions made by Abitibi. Currently, the Abitibi operations contribute almost \$1.7 million in combined property taxes and power dam grants for municipal use alone.

What can the province do to help the city of Kenora in this crisis?

Support the city in working with Abitibi to pursue an adaptive reuse of the plant infrastructure and other mill assets.

Work with the city of Kenora on economic development projects, such as downtown revitalization and value-added forestry, to help mitigate the significant impacts to our local economy.

Pursue footloose government activities—and I'm sure you're going to ask me what the definition of “footloose” is, and it's not the musical—and initiatives for use in the Kenora area to help rebuild the local economy.

Moving on to the forest industry: The government has been very aware of the warnings concerning the perilous position of the forestry sector for three years. It was not, however, until the fall of 2004 that the first concrete steps were taken to address the challenges facing the industry with the creation of the Minister's Council on Forest Sector Competitiveness. Unfortunately, the spring 2005 provincial budget failed to substantively recognize the concerns of the forest industry or effectively address the recommendations as set out by the minister's council.

Recommendations: It is imperative that this government heed these crucial points and address them in the spring 2006 provincial budget.

Resume full funding of primary forest road construction and maintenance and 50% of secondary road costs.

Remove costly and redundant red tape from government regulations. That question was responded to by the representative from Weyerhaeuser.

Commit to stable electricity supplies across the province.

Ensure that the forestry sector is not hit with additional government-imposed cost increases.

In 1998, the province implemented the local services realignment with Ontario municipalities, also referred to as downloading. Under the LSR, a number of changes were made in municipal-provincial responsibilities, and municipalities became responsible for the costs related to a number of services not previously funded through municipal tax dollars, as well as being required to pay a greater share for other services already partly funded through municipal tax dollars. A new grant program, called the community re-investment fund, was put in place to help offset costs related to this provincial initiative. At that time, municipalities were advised that the LSR would be revenue-neutral. The CRF was to be reconciled annually and was to account for any net incremental costs to municipalities. While the CRF funding was reconciled on an annual basis, the reconciliation was complex at best, and municipalities did not have all the information available to confirm the province's calculations.

It is worth noting that the city's 2005 entitlement under the OMPF was based on the final 2002 CRF entitlement, as reconciled by the province. In 2005, the city estimates that this funding level represented a shortfall of almost \$1.1 million in provincial funding as compared to the active programs under the old CRF funding program alone. This shortfall is projected to continue to grow in 2006 and beyond.

From a municipal perspective, it is critical that the province implement the following changes in the spring 2006 provincial budget:

The province must end this continued downloading to municipalities. It must take back responsibility for the social and health programs that have so heavily burdened municipalities and their taxpayers, and will only continue to do so.

Only the province can control social and health program costs. Municipalities have no ability to impact these costs or services. It is unacceptable that the province has placed this significant and increasing burden squarely on the backs of the local taxpayers in order to help balance the provincial budget. These services must be taken back by the province, and it must happen within this provincial budget.

The OMPF program: In addition to the already growing deficit related to the downloaded social services, of significant impact to the city is the recent OMPF announcement and the anticipated impacts for the city of Kenora. Key issues of this funding announcement for Kenora include: the 2005 approved funding level is based only on the 2002 reconciled CRF level and does not account for the anticipated almost \$1.1-million deficit in downloaded services; an anticipated loss of up to \$1.7 million in unconditional funding annually by 2009 from the approved 2005 level; and an additional \$1.1 million stabilization funding component to the city's OMPF entitlement, the long-term viability of which is unknown.

The most significant factor impacting the city's entitlement with regard to the OMPF is the application of the rural and small community measure. The information to determine the RSCM was purchased from Stats Canada, and this information is only tracked for areas that have a population of 10,000 or greater. Unfortunately for Kenora, we are just large enough to be statistically interesting. Kenora is the smallest northern municipality to be given an RSCM of less than 100%. Had Kenora been given an RSCM of 100%, as was done with our sister municipalities, projected 2009 funding would have been \$4.48 million, with no stabilization component, as opposed to \$2.84 million, which includes a stabilization component of \$1.1 million, the long-term viability of which is currently unknown.

Another critical point with the OMPF is that land ambulance costs have been entirely excluded from the funding formula. With anticipated 2005 land ambulance costs of over \$1.3 million, this downloaded service represents a significant impact to the city of Kenora.

In order to stabilize the city's long-term provincial funding and help reduce the significant impacts resulting from the province's failure to meet their promise on revenue-neutrality on the LSR, it is imperative that, at a minimum, the following changes be made to the city's OMPF entitlement:

To help maintain the ongoing financial stability of the city, consideration must be given to change Kenora's RSCM to the same as its sister municipalities in the north: an RSCM of 100%.

The land ambulance program delivery should be taken back directly by the province. At a minimum, appropriate

provincial funding must be established to offset the significant and escalating costs for this program delivery.

PLT reform: Finally, the city feels it is critical to revisit the provincial land tax reform issue that is currently before the province. The city applauds the province for commencing a review and recognizing it as an area of utmost importance

From Kenora's perspective, it is crucial that ratepayers in the unorganized area begin to pay their fair share towards the provision of services within the region. In addition, many of these ratepayers enjoy the use of a number of municipal services, such as the use of local municipal roads, recreation programs and library services, and should be providing financial support related to those services.

The city encourages the government to proceed quickly and fairly to implement planned PLT reform changes. Ideally, provincial taxes related to PLT reform could mirror those of the closest municipality, and any related revenues net of specific service costs would go to that adjoining municipality.

In conclusion, the city of Kenora wants to assure you that we are not standing still in the light of adversity. We are looking at all opportunities and options available, including a concerted effort to mobilize city staff to help compile opportunities for reductions in costs. Alone, this is not enough. We do not believe that we can independently restore the current fragility of the community's economic base, nor can we hope to independently address our current fiscal crisis. We need your help.

We would like to thank you for your time today. Your serious consideration of the issues we have brought before you today is expected. We look towards a partnership in implementing the many recommendations contained within our presentation in the new provincial budget.

In closing, I have a personal comment. If you were to ask me what is the most critical part of our presentation, I would respond by stating, "Recognition of our recommendations and agreement to implementation." Thank you.

1510

The Chair: Thank you.

Mr. McMillan: Did I make it within 10 minutes?

The Chair: You were just slightly over. We begin this round with the government.

Mr. Wilkinson: Thank you. We've had a wonderful time here today. It's wonderful that we can be here. Just to go on the OMPF question and get some context: When we started this up two years ago—and so many of us were elected from the municipal world because we had never believed that the downloading had been revenue-neutral—one of the things we found, of course, was the CRF. I know that two years ago, when we were going around the province, everyone was saying, "No one understands the CRF. There's no rhyme or reason. Two municipalities exactly the same: One gets \$1 million and the other one doesn't."

The minister said, "Let's have an accountable, transparent system so that we can see that, because you can't

improve something that you can't measure and when you can't compare like municipalities." That's what started going to the municipal partners' fund, but I think AMO, ROMA and NOMA were very clear: "Listen, we've got reconciliation costs that we got stuck with from before. Though that wasn't rung up by you guys, we need you to reconcile and square up the province to pay that," which is why the reconciliation was paid. It's why we've gone to the new transparent formula where you can see every other municipality and we've said, "If you're on the down side of this fund"—because now we can work on trying to improve it—"you won't have any less, at least for a year in transition, while we work together with the ministry."

We've taken a lot of sticks out of municipalities' eyes, so we can move to more transparency. For example, we should really have the same transparent funding formula for everybody in Ontario, but we hear today that for policing, because of the distance, there has to be a variation here in the north—that was one of the suggestions we had—as a way of making the system better.

I think all municipalities are struggling with the land ambulance issue. I know the Minister of Health has a working group with AMO and other municipal organizations to try to resolve that. We agree that that is a problem we've got. We are also in that downloading.

What we're trying to do—we appreciate the fact that you've come, because under this situation we can actually get the facts out: You know what all the other municipalities are getting. That's how you can get to the inequity and also tailor-make that formula, so in this kind of relationship we have now, it's all out in the open. It's not having—

The Chair: Thank you.

You might want to make a comment, but he has used all the time.

Mr. Canfield: If I could: You are absolutely right. It is more transparent. There's no doubt about that at all. The CRF was very hard to figure out. The problem is that it's broken. I feel pretty good about what you said, because you're saying, "We realize that when we changed it, there would be pieces that had to be fixed."

One of the pieces Councillor McMillan talked about was the RSCM, that because we're statistically important, we can come under a statistic that costs us \$1.7 million, plus the \$1.1 million that's still owing to us. One of our neighbouring communities, just under 10,000—with complete urban, not the rural—gets 100%. So it has to be reversed 100%. I don't know where the number is. If it's at 50,000 or 100,000, I'm not sure, but 15,800 definitely isn't the right place for it. It has to be fixed.

The Chair: Thank you. Now we'll move to Mr. Hudak.

Mr. Hudak: Thank you, Chair. Councillor McMillan, it's really great to see you again. Thank you for the presentation, Your Worship, as well.

With respect to fixing the OMPF, we've heard over and over again today about how northwestern Ontario was badly harmed by the amount of funding cut out under OMPF. Councillor, you talked about the old recon-

ciliation formula, that there would be a reconciliation on the costs of the programs compared to the funding. Do you think that there should be some reconciliation point, then, to OMPF, that if the grant falls far short of the increase in costs, it should be reconciled?

Mr. Bill Preisztanz: I believe that's the only way we can deal with the deficit we currently have. We've done without, I guess, over the last couple of years. With these recent decisions, we need to have some understanding from this government, first of all, that the way it's been calculated isn't fair. I think our report will show you why it isn't fair. We've done a reconciliation as best we can. We would ask you to seriously look at that.

Mr. Hudak: With respect to the RSCM, Your Worship, you're basically saying that if a community is under 10,000, you get the 100% benefit of that formula. That's about a \$2-million cost to the city of Kenora, if I follow your numbers correctly.

Mr. Canfield: The number is \$1.7 million by 2009. It's not the fact that you're under 10,000. The only reason it's 10,000 is that you're not a statistic until you're over 10,000; that's where it falls. We've explained that to the Minister of Finance and to some of the staff people.

The bottom line is that we can't be like Pickle Lake. Believe me: I won't be as quiet as them, as you probably heard a little earlier. I'm not going to wait until our community crashes. We've lost 400 direct jobs plus all the other ones. I'm not going to wait until we're in a bankruptcy situation. We've got great people who have managed that community very well, and we want to continue on that road. So we have to have the understanding before we're in that situation.

Mr. Hudak: Speaking of the mill closures, one of the predominant themes here today has been high energy prices and the proposed closure of the AGS and the devastating impact that would have in Atikokan and the surrounding area. Proposals are, first, it should stay open; secondly, a number of groups have said there should be a sort of energy island, a separate grid in the northwest. How would that impact Kenora and your competitiveness? Do you agree with the proposals you have heard in that sense?

Mr. Canfield: Absolutely, and I want to add one more thing—I didn't have enough time before, and I wasn't going to take up the whole thing here; that's why my minister of finance here is making the presentation.

The bottom line is that we do not have the same resources you have in the Golden Horseshoe area. That's just the reality of it. One professor at Lakehead University has come up with some of the differences: There are huge economic benefits to being in the Golden Horseshoe; there are huge economic disbenefits to being in northwestern Ontario. If you want to try to equalize that, then one of the things you can do is that the energy island could have its own separate energy policy. We've given it to you; please take a look at it.

Here's one quick example; I love to use this story. We had the opportunity to do a Steve Martin movie here in Kenora just recently. They were going to do it in Muskoka,

but they didn't have the setting. They could have done it in Lake of the Woods—we've got millions of them that aren't paying taxes. They have this perfect setting, and they could have come and done this movie. That would have been great. We thought, "This is fantastic." He's one of my favourite actors.

When they looked into it, they couldn't do the movie in Kenora. With the tax credits that are allowed in that policy, they would have to rent their equipment from Winnipeg because of its proximity; therefore, they couldn't do the movie in Kenora.

We are not equal; we do not benefit from the same programs that you benefit from in the GTA area or even in northeastern Ontario. We don't benefit from them. So you have to understand that one size doesn't fit all. Tim, you'll remember that I said to your government—I've said to every government—that one size doesn't fit all. Every single minister I've talked to: "You're right; one size doesn't fit all." Not one government has changed it. In the three governments in my political career, not one government has changed that. It's time to change it.

The Chair: Thank you.

Mr. McMillan: Could I make one—

The Chair: We'll move to Mr. Prue.

Mr. Prue: Make your point. I'll let you use part of my three minutes.

Mr. McMillan: You asked, would it assist our area if that was looked at? From a very pragmatic point of view, I think it would help all communities in northwestern Ontario and northern Ontario within the NOMA coverage. So my answer to you would be yes.

Mr. Prue: We've heard many times about uploading social services. There are a number of them that the government has downloaded, for which they are collecting money from municipal tax coffers. They run the gamut. The big one is education, but some of the smaller ones are ambulance, daycare, welfare, housing, public housing and public health. Is there any particular order in which you think they should be uploaded, because I don't think they have the wherewithal, nor will they consider doing it all in one year. I'd like them to, but I don't think they will. Can you tell me which ones you think should be uploaded?

Mr. McMillan: I'll try to do it in order and let Bill and Dave add comments. From a cost perspective, I would say number one would be land ambulance. Then I would look at social services. Ontario Works and the Ontario Disability Support Program are two programs that are extreme. You can't control the costs of them; you can't predict what will happen in society. It's extremely difficult for municipalities when the district services board—it's an uncontrollable cost for them that is passed on to municipalities. So I would look at them next.

Just a general comment: There was a presentation earlier about social services and supports when there's a major industrial turnaround in the economy. I think it's extremely critical because that's when soft services such as social services rise to the surface. The supports are required in communities for families, and they truly need

recognition through government funding and stabilization.

I hope I've answered your question by saying "land ambulance."

1520

Mr. Prue: Okay, land ambulance and then social services. What about daycare, public health—those things?

Mr. McMillan: I would follow them with daycare and public health programs. If there was accomplishment on land ambulance, I think that would be a significant step.

Mr. Prue: Is there concurrence here?

Mr. Canfield: Yes, absolutely. I want to clarify something. The government is starting to move public health back, and we appreciate that very much. Here's the problem: It hasn't changed ours. Our input in the city of Kenora and the district last year went up. We still paid more as a community, even though there was more money coming from the province. This year, it's flatlined at zero. It shouldn't be; it should be going down. Again, you cannot deliver the service for the same cost. You're talking about all the outlying reserves. Healthy Babies, Healthy Children—I used to have lots in the past. Try to deliver that service in the district of Kenora for the same cost as delivering it in the city of Toronto. But we get the same amount of dollars. It's absolutely impossible. Go right back to one size doesn't fit all. That has to be recognized.

The Chair: Thank you for your presentation this afternoon.

NORTHWESTERN INDEPENDENT LIVING SERVICES INC.

The Chair: I call on Northwestern Independent Living Services Inc. to come forward.

Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questions following that. I would ask you to identify yourselves for the purposes of Hansard.

Ms. Kristan Miclash: Good afternoon, Mr. Chair and committee members. My name is Kristan Miclash. I'm the executive director of Northwestern Independent Living Services. I'd like to introduce the vice-president of our board of directors, Mr. Mark Wherrett.

We are here today to present on behalf of persons with physical disabilities residing in the Kenora and Rainy River districts. NILS has been the provider of attendant care services to persons with physical disabilities living in the communities of Kenora, Vermillion Bay, Dryden, Ear Falls, Red Lake, Ignace, Sioux Lookout, Atikokan, Fort Frances, Rainy River, Emo and all points in between for the past 20 years. We currently assist 63 consumers by providing over 25,000 hours of attendant care per year. As you probably are aware, the attendant care program assists individuals with all activities of daily living, which are defined as those physical functions necessary for the management of one's own affairs. NILS also operates an assisted living supportive housing program in partnership with Direct Management Services

in Kenora, where on-site, 24-hour attendant care services are provided to 17 tenants.

The issues we would like to address today are, first, the imperative need to expand supportive housing—"assisted living" is the new term I'm hearing—to adequately meet the needs of individuals aged 16 and over. In the Kenora and Rainy River districts, only one supportive housing program is available to consumers aged 16 and over; that is, the program operating in Kenora through NILS. We know first-hand that the need exists for additional supportive housing, specifically in Fort Frances. Five years ago, NILS, with the assistance of the Northern Action Group of Fort Frances, conducted a supportive housing needs study. Of 200 surveys distributed, 155 responses were received. At that time, 34 individuals required some type of on-site support in a housing setting. Three years ago, a supportive housing committee was struck for the Kenora and Rainy River districts, made up of community support agencies, the CCAC, and long-term-care, health centre and hospital representatives. Several meetings were held throughout the districts, resulting in a joint report being submitted to the Ministry of Health and Long-Term Care, recommending that \$1.9 million be invested to expand supportive housing in the Kenora and Rainy River districts.

In June 2005, NILS began providing four hours of on-site attendant care to 10 individuals residing at Lady Frances Place and Elizabeth Manor, located in Fort Frances. We have developed a solid partnership with the Rainy River District Social Services Administration Board, which operates these buildings. Our concern is that we will not be able to continue providing these services if adequate funding is not received. These individuals residing at Lady Frances are not seniors and their disabilities are deteriorating.

The Closson report states: "There needs to be a focus of planning for the expansion of long-term-care 'places' with the desire that people be placed along the continuum of care as close to home as possible. The principles of expanding capacity in this area should include maximization of independence, maximizing social interaction in all 'places,' a preference for long-term care in the local community, a preference for 'in-home' care over congregate care, a preference for supportive housing over nursing home care, and the provision of psycho-geriatric care in all treatment settings."

Although we agree in principle with this statement, Mr. Closson unfortunately focused only on the need to expand services for seniors in this area. Nowhere in his report does Mr. Closson refer to services for persons with physical disabilities. NILS's waiting list for supportive housing in Kenora currently sits at eight people. Our waiting list in Fort Frances is nine who need supportive housing. These numbers may seem small, but we know the cost to support someone residing in supportive housing, which is approximately \$30 to \$35 a day, is much less than long-term care, which is \$82 to \$85, or hospital, which is \$800 to \$1,000 a day.

The report on pre-budget consultations for 2005 asked the ministry to "review the supportive housing system so that standards are applied consistently in that part of the long-term continuum." We would recommend that supportive housing programs be expanded in the Kenora and Rainy River districts, beginning with Fort Frances.

Mr. Mark Wherrett: Secondly, NILS's waiting list for outreach attendant services continues to remain high. Thirty-five people have been waiting to receive attendant care services for the past two years and, in some cases, longer. Many referrals come from the case managers at the CCAC. As you know, the CCAC can only provide 60 hours a month of homemaking or personal support. That translates into two hours a day of service. We know that persons with physical disabilities often require much more than two hours a day of services—do you have a bath, or do you have a meal? Can you imagine only having two hours a day to accomplish bathing, toileting, dressing, meal preparation, eating, laundry, housekeeping, shopping, medical or any other appointments, undressing at night and all the other routines that are required by an individual?

The attendant care cost is \$22 to \$25 per day. We have seen the impact of providing more than the minimum. We recommend that tax dollars be provided for the outreach attendant care program to reduce our long waiting list.

Ms. Miclash: The third issue is providing services to persons with acquired brain injury. Four years ago, we submitted a joint proposal with Brain Injury Services of Northern Ontario, from Thunder Bay, which would see the provision of attendant care to 25 persons living with the effects of acquired brain injury in communities throughout Kenora and Rainy River districts. NILS currently provides services to five individuals with an acquired brain injury. BISNO provides consultation and rehabilitative services to these people. The 25 people on the waiting list do not receive any services through our programs. They must rely on family members or volunteers to help them remain independent in their own homes. We would recommend that the joint proposal put forward four years ago be funded to enable persons living with an ABI the services they need.

Mr. Wherrett: We are a consumer-driven organization, and we understand the importance of being at home with family instead of in hospital or in a long-term-care facility. Seventy-five per cent of our board of directors have a physical disability, and we understand the issues presented first-hand. A number of us know how important it is to have attendant care services to help us maintain an adequate level of independence in our own home.

We know that costs are greatly reduced when people are able to remain at home. By offering services in the community, we keep families together and allow personal independence, which in turn improves the quality of life.

Ms. Miclash: In closing, we appreciate the opportunity to speak on behalf of our consumer group. It is imperative that supportive housing and attendant care outreach programs receive funding in order to provide

necessary supports for persons with physical disabilities residing throughout the Kenora and Rainy River districts. Thank you for allowing us this opportunity, and thank you for travelling to Atikokan today.

The Chair: We'll begin this round of questioning with the official opposition.

Mr. Hudak: Thank you both very much for the presentation. One of the things we've heard from the various social services groups that have been here today is about the unique needs in northwestern Ontario. Many of us here represent small communities in the south. Is there anything in particular that presents a challenge in the northwest as compared to the rural south?

1530

Ms. Miclash: Certainly, travel to get here today by vehicle—this is one of the communities. My office is located in Kenora. On my way from Kenora to Dryden, I picked up Mark, one of our board members who lives there, and then came down 622. Our partners from Kenora, who beat us here—I'm sorry about that—probably did the same thing.

Certainly, transportation to get to this meeting today—I'm not sure how you travelled to get to Atikokan, but when we are looking at providing services to all of the communities in the Kenora-Rainy River district, to travel through this area, the transportation, number one, is a cost. Imagine having a family member in long-term care placed in Kenora and you had to leave Atikokan to go and visit them for the day. You'd have the cost of your meal, your hotel, or uprooting your family if they had to move, so certainly that's a huge cost.

Mr. Hudak: How about incidence or need, aside from the transportation issue, which we're well aware of and we recognize, in terms of need in the community or incidence and that sort of thing?

Ms. Miclash: Need for services?

Mr. Hudak: Yes. Is there a higher need—

Mr. Wherrett: I think I know what you're getting at. Some people from our community have had to move to a larger urban area just because they want to get services and can't in our own community, so they move to have better services.

Ms. Miclash: The closest places would be Thunder Bay or Winnipeg, which are larger urban centres, so you are uprooting your entire family. I think the presentation speaks for itself, the number of people waiting on the list for services, when you're looking at a number of 35 waiting for attendant care services who have been on there much longer than two years, and 25 people with acquired brain injuries, plus nine for supportive housing in Fort Frances and eight in Kenora. These are people who are primarily under the age of 60 years, and that is, I think, an important fact in itself. You are looking at people who are also going to age in place but who require services. You're looking at people who have multiple sclerosis, spinal cord injuries, cerebral palsy—all sorts of different types of physical disabilities, not just because of age.

The Chair: We'll move to Mr. Prue of the NDP.

Mr. Prue: The last budget, in my view, was kind of brutal. It was brutal not so much in terms of education or health, because there was some movement there, but it was brutal to people with disabilities, it was brutal to the poor, it was brutal to groups like yours that try to provide service, because there weren't any increases. How did you and the people you work with manage in the last budget, or did you not, getting nothing?

Ms. Miclash: You manage day to day by not increasing wages to employees who have been working for a number of years for you, and you hope to hang on to those people who have been trained and have worked there. You manage by trying to be creative and trying to find a volunteer who might go shopping with someone. You manage by hoping that the individuals will be able to stay out of long-term care or going to hospital. You don't increase services. You maintain a waiting list for more than two years. I guess, from the perspective of somebody with a physical disability who has limited income to begin with, who can't purchase any services from any neighbouring family or friend, people are often-times having to move or having to look at alternatives like hospital.

Mr. Wherrett: Or things like employment can't be considered because you are spending your day taking care of yourself, whereas if you had some assistance, you might look at something like employment.

Mr. Prue: A lot has been said in the Legislature in the last year, not so much about people with physical disabilities but people with intellectual disabilities: the closing down of the centres, the huge waiting lists in cities like Ottawa for people to get into group homes. I would imagine the same kind of phenomenon is taking place, although it's not talked about as much, with people with physical disabilities. Would that be your perception?

Ms. Miclash: By not having the dollars to provide adequate services, you find that there are other issues that start popping up with someone: mental health issues. You have people who are depressed. You have people, as Mark mentioned, who can go out and look for a job, or even look for schooling, who are trying to manage on a day-to-day basis. Certainly, there are other issues that start popping up, health issues.

Mr. Prue: In larger cities—Toronto or Hamilton or Ottawa—there are, I would think, more facilities available for people with physical disabilities. I just think in Toronto of Wheel-Trans. You can call up and you can have somebody move you around. People do go to work on it. It must be very difficult in northern communities without those kinds of things; they are just not there.

Mr. Wherrett: There is Handi-Transit in the larger communities, but again, you're required to book a day ahead, and only have an hour for shopping if that's all you can get. Yes, certainly the convenience of better transportation and everything else is an issue. I think a disabled person here in this area certainly has learned to do without from the beginning; they don't know better.

The Chair: Thank you. We'll move to the government.

Mr. Wilkinson: We'll go with the PA.

The Chair: Okay. Mr. Arthurs.

Mr. Arthurs: The next question, if Mr. Wilkinson has one, we'll refer to him as well.

You made reference in your comments on the cost-effectiveness of providing assisted support in living as opposed to long-term care or hospital care. What's the nature of the physical environment you would need to—you said nine, I believe, on a waiting list. Sorry, is it in—

Ms. Miclash: Fort Frances.

Mr. Arthurs: Nine in Fort Frances, and eight in Kenora. Is that the number?

Ms. Miclash: Yes.

Mr. Arthurs: What type of facility would you need to be able to accommodate that waiting list?

Ms. Miclash: A barrier-free apartment building. We have a building where we've worked in partnership with Direct Management Services in Kenora where we provide on-site, 24-hour attendant care. It's a regular apartment building that is barrier-free: wider doors, wheelchair-accessible bathrooms, showers. It's a regular apartment, but anyone could move in there, and specifically somebody who was either mobility-impaired or had a visual impairment or was hearing-impaired could move in, because it accommodates anybody with a physical disability.

In Fort Frances, the Rainy River DSSAB, the building we have right now where we're providing services is not barrier-free, so we are looking at capital dollars to make that—its core floor is ramped, but the apartments are not wheelchair-accessible. So you're looking at a regular apartment that's modified, like this Pioneer Centre here.

Mr. Arthurs: So there are buildings that you're looking at, or where you have partners potentially, if the dollars were there, to be able to renovate and make them suitable?

Ms. Miclash: We have a building, the Lady Frances in Fort Frances, where we are currently providing four hours of on-site services, yes.

Mr. Arthurs: Okay. Thank you.

The Chair: Thank you for your presentation.

ATIKOKAN HYDRO INC.

The Chair: Atikokan Hydro Inc. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questions following that. I would ask you to identify yourself for the purposes of Hansard.

Mr. Wilf Thorburn: Thank you. I'm Wilf Thorburn with Atikokan Hydro. I have the pleasure of having two board members with me today. You see that in a small community, everyone wears many hats. Long-time board member Marge Lambkin, who is also chair of finance on council, and another long-time board member, Mayor Brown, have agreed to be with me.

I asked for a visual aid in terms of the map of Ontario, and that's the only one I could come up with. We'll refer to it a couple of times. But just as a quick overview on a comment Mr. Prue made about being closer to Winnipeg

or being more comfortable, we're about an 18-hour drive from Toronto, we're a five-and-a-half-hour drive from Winnipeg, a nine-and-a-half-hour drive from Regina and about an 18-hour drive from Edmonton, so we do have three capitals to the west of us closer than our own. Ontario is big.

1540

I'm really glad that you could come to visit our community. I really welcome you, and I'm glad that you've taken the time to come and see us. I do wish you could have driven from Thunder Bay, but unfortunately we'll have to reserve that for a different time.

I do wish to extend a warm and open welcome, and I hope you feel the same about me when I'm done with my presentation. Obviously I'm going to deal more with energy and cost of energy, some thoughts I have on that. I'm a bit of a dinosaur. Some of us have been referred to as Neanderthals, but we won't go there. But I am a bit of a dinosaur, and this is my 40th year in the electrical trade, so I've seen all aspects of it. It's my 16th year as manager or CEO of a utility in Ontario, so I've been around the block, and it keeps repeating itself and getting worse and worse. I'm drawing from other backgrounds also.

Over the past 40 years, the energy policy in Ontario has swung like a pendulum. There used to be a song about that, but our energy policy really has done that. As I see it, there are several problems. The way I look at it, there are no villains and there are no heroes at Queen's Park. I think we have to start off looking at it that way. I'm going to refer to that a couple of times. All political parties present have had a hand in getting us to where we are. Both opposition and the governing party have a responsibility to debate legislation and hopefully enact something that would be good for the province. It is not acceptable to continue to answer every question with, "This is what we were left with." Remember, the present government is halfway through its term; it's getting worse, not better.

Because there's only 10 minutes, if you flip back to page 6 some time at your leisure, I've given a historical view, starting about 1990, of who did what and where. The result of that is that basically, for the past 15 years or so, Ontario has experienced significant energy price increases. We moved from freezing retail rates in the early 1990s, so the cost of power to the consumer was frozen, to opening a compressed market in 2002. We froze the price for 10 years, during which time the hydro debt grew because we were buying high and selling low, and then we opened the market—no surprises that we had some problems with that. The open-market concept has not appeared, and it's not likely to, given the uncertainties that have been legislated in the last two decades. We've created rules that—we're not going to get investors here. We are now left with power shortages in the south, surplus cheap power not being used in the north, and policies that will only attract higher prices for unreliable imports.

In the past, even-demand energy splits that were challenging were manageable because there were special pricing structures and, as well, the rates were fixed, so you knew what the cost of energy was going to be.

The present government continues to download costs to LDCs to be passed on to the customer with no benefit. Two of these are the ESA audits and the smart meters that are coming; just a couple of examples.

The result of this so far is that the present government is suggesting that a major portion of the answer lies in conservation. We've heard a lot about CDM plans that's conservation and demand management and that CDM is more cost-effective than construction. From an academic point of view, that could be correct, but reality is a lot different.

In 2003, in Atikokan, we reduced our demand by 45%. Did anyone notice? We had a major employer go out of business. They've since restructured. They're struggling, as you heard from FibraTECH this morning. They have a lot of challenges.

In December in 2004, they were paying five cents per kilowatt hour, or \$50 a megawatt hour, whatever you want to use, for the energy component of their bill. They reduced their load by 30% through more efficient production methods and, in December 2005, they were rewarded with over nine-cent-per-kilowatt-hour costs for the energy component of their bill.

In 2005, as we've heard from Mayor Canfield, his community consumed about 75 megawatts of power on a regular basis. In October 2005, they had their consumption reduced by over 80%. Even after that sacrifice—and it could be considered conservation—they reduced their load by 80%. We keep hearing people say, "If we could reduce it by 5%, we'd be happy." They've reduced their load by 80% by losing two mills, and even after that sacrifice our industries are left wobbling and are still paying nine cents a kilowatt hour for the energy component of their bills.

OPG has shown some significant profits over the past year. The cost of energy from our coal plants is less than 3.5 cents per kilowatt hour to produce. When that power is being sold to our industry at over nine cents per kilowatt hour, a huge profit is being made. Is this profit not at the expense of our industries?

If energy prices should respond to an open-market concept—that is—less demand and more supply, would it not seem reasonable that the cost of energy to the surviving industrial customers would reduce and not double when demand in a transmission-constricted area falls? Kenora shut down—80% conservation; five cents a kilowatt hour last year, nine this year. What's wrong with the picture? It's not working.

So there are solutions. We have to understand that northwestern Ontario is an energy island. On a cold winter's day, we might be able to send 300 megawatts south; we might be able to bring 100 megawatts in from Manitoba. But on a day-by-day basis, we can't move the energy around.

Accept that, to date, provincial governments as a lot—not just this provincial government—have to start taking responsibility. The energy policy has been fumbled badly, and it has been done for a long time. Now we have to get some consensus and move forward. If Ontario is going to survive, if we're going to stay part of Ontario, we have to do things differently.

Accept the fact that there is no easy silver bullet to be found to provide a quick fix for Ontario. An energy policy must be developed that will be flexible enough to let energy customers compete regardless of where they are located within the province. This means that for Ontario to succeed, several different approaches may be needed.

The present system is just not working. Our local coal station generates power at a cost of less than 3.5 cents per kilowatt hour. Present transmission constraints do not allow us to export electricity from our low-cost plants to the southern market. Even with Kenora shedding 80% of their power consumption and our industries cutting back across the northwest, we're paying almost twice as much as we were one year ago.

We're out of sync with Manitoba and Minnesota, but Manitoba and Minnesota are in sync. That means you can have lines running between Minnesota and Manitoba, but you can't bring it back into Ontario without expensive conversions.

It may be more appropriate to look at stronger ties with neighbouring generation markets as opposed to being tied to a Toronto market when it is physically impossible and financially undesirable to participate.

It should seem obvious that we need to develop a different policy for the area of Canada that is between Quebec and Manitoba and above the Sudbury-Ottawa straight line. If you're below that line, you have a whole different world and a whole different set of problems. Above that line, we are different.

Some of you will immediately jump up and say that we cannot give preference to one part of the province over the other; other areas would demand the same. To those, I say there may well be cases made for other areas. A more flexible energy policy is necessary for our resource-based industries to survive. If our costs do not move towards a viable economy, our contributions to the rest of the province will decrease. This is no different than the investments to ensure viable manufacturing in other parts of the province. If the entire province is not kept healthy, the body will die. And there hasn't been a collaboration where that knowledge has been used.

Some observations: It may be argued that Ontario has been selling electricity at a loss for 20 years or more, and that is wrong. The answer to that is that Ontario became the largest sharer of Canada's gross national product because of its vast natural resources and affordable, reliable energy. If the stewards of the province have allowed the energy component to evolve into a subsidized entity, and if the stewards of the province feel this is wrong, then a much longer period of time is required to adapt to a true user-pay, investor-owned mechanism.

The resulting half-open, half-closed market is a failure in the area above the Sudbury-Ottawa line. Our industries cannot work around fluctuating prices.

The Chair: You have about a minute left in your presentation.

Mr. Thorburn: Okay. I will just look briefly at the graph on the third page, and I want to touch on one more point about Jan Carr. OPA CEO Jan Carr suggests that the reason industry is having such a problem is that there are no brokers with firm contracts available, and that's what was supposed to happen with our market. Once the open market flourishes, industry can either build cogen or get long-term contracts. If this is ever to come to pass, a huge bridge pricing system would have to be put in place immediately. There's no evidence that such a situation will ever exist, and no ability to survive while such items are contemplated. It should be noted that any new generation would probably not come online under eight cents per kilowatt hour, and that natural-resource-based industries are competing with other jurisdictions that are all below four cents a kilowatt hour.

1550

For our area, I'd just like to refer to the graphic that I hope you have in front of you. Northwestern Ontario has an historical peak of 1,100 megawatts. That has certainly dropped with the mills that are closing. If we take out the coal—and the cogen are having trouble; the cogen in Fort Frances is not running right now because they can't afford to buy gas for it—we end up with a 190-megawatt shortfall in power if we have a dry year, if we're going to rely on hydraulic. We do not have enough power to survive in northwestern Ontario.

You'll find that a great amount of the information in this package deals with the memo, and some information that the government seems to be leaning on, that the ISO, the independent electric system operator, has provided for them. I have provided questions within it that I would like you to look at at leisure, where you will see that there are significant shortfalls. We are literally going to be freezing in the dark up here.

With that I will close, and take questions if available.

The Chair: Thank you. We begin this round of questioning with the NDP.

Mr. Prue: I was just reading the end, which you didn't get to. This is a question from the map. Last summer in all the heat, when we were importing electricity, we were importing it from Michigan, Ohio, I understand.

Mr. Thorburn: Yes.

Mr. Prue: They were burning coal like mad to supply southern Ontario with the energy that we needed so badly. I can just see from the wind that we were breathing all of those coal fumes in southern Ontario. I can see that the same thing did not happen, of course, when the coal was burned in Atikokan. Although there's no wind, I can assume that downwind might be Moosonee at best, or someplace in Labrador or wherever. I don't know where it would end up, but that would be more what's happening.

So it does seem to me a little bit strange that we have a no-coal policy. I'm in favour of the no-coal policy, but I really have to tell you that I have some huge problems with shutting down the northern one because I don't see any downside to it.

Mr. Thorburn: I think where we've got on the wrong foot is that we should not term it as a no-coal policy; we should be more concerned about emissions. If we're going to look at the province—I served my apprenticeship in Sault Ste. Marie. The people there pointed at the smokestacks and suggested that they were less than healthy. I don't know, but I think we have to look at what our energy needs are and then set the emissions, and let technology then meet those standards. To say, "No coal," is really very silly, because we can say we'll use biomass. Well, what is the difference? Carbon is carbon is carbon. But to say that emissions shall be at a specific level—the cost of getting those emissions to that level will dictate what fuel source we use. But we can't go from 3.5-cent coal power to brand new gas or brand new coal or brand new anything at eight cents and have any natural resource industries left when your cost of operation is based so much on energy.

Mr. Prue: We had people here earlier today talking about the scrubbers, that they would add about 0.5 cents to a kilowatt hour. Would it be a correct assumption that we could keep a place like Atikokan or Thunder Bay open, put scrubbers on it and have next to clean coal?

Mr. Thorburn: I would think so. Studies have been made in that direction. One interesting point is that before we go out and spend that half-cent a kilowatt hour on scrubbers, maybe we should look at what's coming out of the stack and see what we actually need to do. The nitrogen has been reduced very much just by lowering the temperature of the boiler and letting some oxygen come in so that the nitrogen stays within the boiler. I think that's a direction to go, to look at what's going to be cost-effective to fix the problems, but let's identify the problems before we fix them.

The Chair: Thank you. We'll move to the government.

Mr. Arthurs: I have a question about peat. I had the chance recently to have a constituent drop into my office for a chat. We talked about peat as an alternative fuel source in talking about Atikokan and northern Ontario. What level of discussion has there been in northern Ontario around the use of peat, or has there been any from the standpoint of its use as an alternative source?

Mr. Thorburn: Yes. There's a firm known as Peat Resources. Their head office is actually located in Toronto. They've been doing a lot of work in the Upsala area. We have a very interesting situation. According to these folks, I believe we have about 35% of the world's—not Canada's but the world's—fuel-grade peat. They can go into the bogs, and they have Ducks Unlimited very happy and excited about what they're going to do, because if they were to remove the fuel-based peat, they could in fact leave marshlands, wetlands and everything really neat behind them. They will

produce whatever calorific value you wish. If you want something that has 900 BTUs per pound—and excuse me for saying it in the older units, but I understand them better—or if you want something at 500 BTUs per pound, the price will obviously be more. Coal is about 900. So if you want the same BTUs, that process will take place.

If you look at the Upsala area, there are a couple of other things that are really unique. There's a First Nations community—and these people will probably be able to tell you better than I can. There's a First Nations community where no one lives at this point in time. It's basically been abandoned but it's still a tract of land that's theirs. There's a huge chunk of the peat that's in that land, and the governance bodies of that community would like to have people come back to it.

So here you have a spot where you could end up harvesting the peat, providing employment for the people living next door to the peat, so you've got your workforce there, and moving the finished material 60 miles across a bush road to a generating station. If Ontario doesn't want to do that, Ohio and Illinois are looking at it quite seriously. If they could blend 10% peat with their coal, they would reduce their emissions and meet their Clear Skies or whatever item they're looking at.

What we have here in Atikokan that would really make a lot more sense, if we were to invest again, and we're going to need some transmission to help this out—but assuming that Ontario wanted to play a major role in an environmental perspective, a global role as opposed to a local one. If we were to do the research on the peat and on the coal and the various technologies and put a package together, what makes Atikokan the prime candidate for that is if you don't have anything else to interfere with it, so that if we're monitoring and we find something really bad, there's not a lot of finger-pointing going on, saying, "It was that stack or it's this stack." It's got to be that one, so we fix it.

Once we have perfected that, we could go to Asia or some of the countries that are not involved in the Kyoto agreement and we could export that technology. If you go to China and they bring on 200 megawatts or 400 megawatts a month, two plants a month, and they're using low-quality coal, what are they doing to our atmosphere? It's a global issue. We here in Ontario would have an opportunity to show some real leadership, to put together a package that we can export and actually do something for the economy so that the Premier doesn't come back and say, "It's terrible over there. It was really dirty." He could come back and say, "We have taken this and we have helped those people, and that has helped the global environment."

If we just decide that we're going to shut down northwestern Ontario and that we're going to get rid of the generators, we're really not going to do much for the global economy.

The Chair: Thank you. We'll move to the official opposition.

Mr. Yakubuski: Thank you very much for coming today.

You look at that chart, and I'm going to tell you that the Premier has been shown that chart many times. He doesn't believe it; it doesn't matter how many people tell him that; he doesn't believe it. He believes that all the smog we've got in this province is produced right here in Ontario—Ontario-produced smog at our five coal plants. He believes that by shutting them down, all of a sudden our air is going to be perfectly clean. I can tell you that he is driving this crazy energy policy. There's no question about it. There are all kinds of people on the other side of the House who would like to stand up, but they're afraid to stand up in the House and go against their Premier on this energy policy. There is not—

Mr. Prue: Name one.

1600

Mr. Yakubuski: There is not universal support out there. In spite of all the evidence that we get from people like yourself and reams of experts out there that this will not accomplish what they claim it will accomplish, he doesn't want anything to do with it. He's not interested in the other side of the argument. He is going like a horse with blinders on: "We're going to close down these coal plants and we're going to post-justify our decisions."

I'm just not sure how we can convince somebody with that kind of tunnel vision that what they're doing here is going to create massive problems. We're talking about what it's going to do in Atikokan, but the failure to clean up coal in the province of Ontario is not only going to hurt Atikokan; it's going to hurt every other Ontarian, the industries and the residents and everything else, because we're short of power.

Just last week they had a voltage reduction across Ontario, preparing for what they know and expect is going to happen this summer. Of course, all that smog will be coming back up this summer when we're buying power from Ohio and Michigan. They want industries and businesses to take measures to prepare for a voltage reduction. In the middle of the summer, when this stuff peaks, you don't get time to prepare for a voltage reduction, but you will suffer the costs involved in that. If you're in the extrusion business and stuff like that, your whole production line is shut down because of that, but they just don't seem to recognize that.

The Chair: I'll give you a brief moment. He's used all the time.

Mr. Thorburn: To respond to that, we have tried. The mayor and I and another councillor met with Minister Duncan in January 2004 to get him to look at some of these items. I guess probably the easiest thing would be to just go pull the switch on all the coal plants right now and see what happens, but that's not very practical, because you're going to hurt a lot of innocent people when you do that.

I don't know how we can get to the Premier. I'm hoping that part of these budget deliberations—obviously this isn't directly related to the economy, but some of the recommendations can come out of that. I think there are

opportunities here where we could do some additional generation, some additional cleanup. As I think we've heard from various folks this morning, of our largest coal plants in Ontario, our largest units, four are in the top 15 out of 400-some in terms of being very clean. There has been a lot of money spent.

I think we really need to look not just at a "he said/she said"-type debate. We have to strike a committee like this one that has members from all parties to look at what our investment is, look at what our needs are, look at what we're actually doing to the environment, and then let's clean it up. Once we have it cleaned up, let's export it; let's be proud about it. But if we keep going down this road—you know, Lakeview closes down and we get 15 more smog days. The more chimneys you take down, the more stuff is going to fall on you.

The Chair: Thank you for your presentation this afternoon.

CITY OF DRYDEN

The Chair: The city of Dryden: Would you come forward, please. Good afternoon. I think you know how this works. You have 10 minutes, and there might be 10 minutes of questioning. I'd ask you to identify yourselves for Hansard.

Ms. Anne Krassilowsky: Mr. Chair and members of the committee, thank you for the opportunity to present here today. We certainly appreciate that it's here in northwestern Ontario. My name is Anne Krassilowsky. I'm the mayor of the city of Dryden. To my right is our city manager, Mr. Hoogenboom, and to my left is my fellow councillor Brian Collins. To the back, we have a great busload of supporters for northern issues and the forestry crisis. This is a learning experience for them, and we appreciate your having them.

In the short time allowed, we intend to cover off four topics, the first of which of course is the forest industry crisis, in particular concerns around fibre and energy, fuel tax and red tape; second, the need to address the municipal fiscal gap by uploading public health, ambulance and social services; third, property land tax reform, long promised but yet to be delivered; and fourth, provincial spending on the proposed Dryden bypass. We could include many other topics, such as your position on gaming, support for mining, and concerns around the OMERS devolution, but those will be left for another day.

We understand that Dryden is the last delegation of the day and we appreciate your patience. I know that probably your ears are sore, but please hear what we say. Hopefully, we can leave a lasting impression, and hopefully anything repetitive speaks to the relevance of what has been said.

Dryden's concerns with the forestry crisis are shared with the region and our major employer, the Weyerhaeuser mill. Dryden, population-wise, is Ontario's smallest city, with a population of about 8,100 people. It was a considerable blow to our economy when approximately three years ago the mill cut its workforce from

1,200 to 900 employees. They closed their sawmill. In the past four months, the mill has announced the closing of the wood room and announced the closure of one of the two paper machines. This means another approximately 120 jobs to be lost by April 1. All of this ripples through our community. From the operations in the bush to the business community and into the family home, those ripple effects are devastating.

We in Dryden are very passionate about the forest crisis. We initiated the We Care campaign. A community meeting on the issue attracted 300-plus people. Our Rotary Club, in one week, collected over 2,000 signed letters to the province on energy and fibre concerns. In a community of under 4,000 households, that is a phenomenal response.

City council has responded and continues to try to respond to this local crisis. The city is looking to straight-line its 2006 operations and freeze hiring. We are looking to diversify our economy and hold any tax increase to a minimum. I know and you know that that is not conducive to maintenance or development of our city.

This issue is bigger than Dryden. The provincial package developed to date for the forestry sector is not adequate. The province needs to act immediately and again in the next budget to stabilize the northern economy. Your own northern prosperity plan notes disturbing trends of shrinking population, reliance on primary industry and consistently higher unemployment in the north. Surely we can ask that our area get some key support so that we can begin to share in the province's prosperity.

With respect to forestry, we ask that you immediately move to stabilize energy prices for large industrial users in northern Ontario and lower delivered wood costs by reassuming the full cost of construction and maintenance of primary forestry roads and 50% of the cost of secondary roads. The Northwestern Ontario Municipal Association has developed a comprehensive northern energy policy, which you've been supplied with, and Dryden fully supports that initiative.

The Toronto Star, in an article this past Sunday, clearly laid out the forestry crisis issues and how it has province-wide implications. Southern Ontario has the capacity to diversify and rebound from economic hits, such as a downturn in the auto sector. Northern Ontario cannot diversify away from forestry in the short term. The social and community implications of more mill closures would fully devastate our region; they have and will continue to do so. Please do not do too little, too late.

Our second issue is the identified \$3-billion provincial-municipal fiscal gap identified by AMO. Our northern geography works against us, particularly as it relates to public health, ambulance and social services. We ask that you move to upload these services to the province and have them paid for by a more progressive income tax rather than the real property tax. As our economy shrinks, it increases the demand for social services and public health when we can least afford it. Ambulance costs have gone through the roof as we

struggle to manage collective agreements for service providers who go to arbitration and succeed in getting settlements based on provincial trends and not on our northern economy. A system that was once done locally with the hospitals and many volunteers is now regionalized through the district services board, and every isolated community wants and expects the same level of service. Our local per-capita levy for public health is already the highest in the province. We need and expect a more level playing field here in northwestern Ontario and we trust that you will move quickly to remedy this situation.

1610

Our third issue is property land tax reform. The Ministry of Finance conducted thorough consultations in 2004, and we understand that staff have completed their recommendations. It now requires action on the part of the provincial government. Property land tax reform is primarily a northern issue. Large parts of northern Ontario are not covered by municipal jurisdiction but are part of the area known as "unorganized." These areas receive local services from the province or neighbouring organized municipalities, but they do not pay taxes based on market value. Some pay no school taxes and only minimal levies to local services boards. This tax structure discourages development within municipal boundaries and adds to complicating various funding formulas and municipal restructuring. We commend this government for moving forward with the consultations. We now call on you to take action on this issue.

Our final issue presents an opportunity for the province to spend less money. The Ministry of Transportation continues to move forward on the plans for a future bypass for the TransCanada Highway around the city of Dryden. The city of Dryden, the local business community and many residents do not want a bypass, and we see it as a waste of provincial resources. As a city, we have objected to the bypass and have aggressively lobbied so for several years.

The city has requested an environmental assessment bump-up and wants the project set aside in favour of upgrading the existing three lanes to five lanes. It's a much less expensive option. We have requested connecting link support for this and plan to undertake other traffic initiatives, such as closing entrances onto the highway to improve the through-flow of traffic. Given our shrinking economy, we can ill afford the economic devastation that a city bypass would inflict on our businesses, which depend on drive-by traffic.

It's also a health and safety issue. If you get the trucks and the traffic off the road as a break between Thunder Bay and Winnipeg, which is an eight-hour drive, they will impulsively stop if their services are seen and readily available; on a bypass, they will continue on. We already have enough accidents without encouraging more. Given the province's many highway issues in northern Ontario, we urge you to not spend further funds on an unwanted, unneeded bypass.

Mr. Chair, ladies and gentlemen, we thank you very much for this opportunity. We welcome you to this part of Ontario. We hope that you've learned more about us. For some, you've already visited; for some, it's a new experience. We ask that you come even further west to see just how we live and why we live here. It's a quality of life second to none, and we enjoy it.

We hope that you take our suggestions and our concerns, and that you hear how passionately we feel about life here in the north. Please help us to share in Ontario's prosperity. Thank you for your attention.

The Chair: Thank you. We'll begin with the government.

Mr. Mauro: Your Worship, I just want to thank you up front for all the work you and other northern Ontario—especially northwestern Ontario—municipalities have been doing in the last number of years to try and advance northwestern Ontario issues through municipal organizations like NOMA. I know how much time you've put into it. It's really appreciated in terms of supporting a lot of the work I'm trying to do, so thank you very much.

I was going to ask you, as a first order of business, to expand on the Dryden bypass issue—it was mentioned at the beginning—but you've done that at the end of your presentation. Is the push still coming on that because there's a safety issue? Governments don't often get requests not to spend more money, so I'm wondering what the push is. Why do they still seem to be trying to move this forward, and how recent is your information? I talked to the minister quite recently on this—well, through a letter—and I'm just curious how recent your feeling is that they're still moving forward with it.

Ms. Krassilowsky: Thank you, Bill. We are told on the one hand that the environmental study will go forward and they will see where it goes from there. We have no letter telling us that it will not proceed from a dedicated roadway. But it's very frustrating to think that the corridor could be widened to a five-lane, versus millions and millions of dollars to go single-east/single-west bypass that attaches to it—nothing but a single-east/single-west roadway, with no hope of four-laning it. I don't know why that money is being spent. We don't know why we don't have a letter saying, "At least look at the possibility of five-laning it."

Mr. Mauro: Is there a municipal resolution to this effect? I'm sure there is.

Ms. Krassilowsky: Yes, there is. We've done all the necessary steps.

Mr. Brian Collins: Just a little bit further: We did see a call for design proposals from the Ministry of Transportation, and that really got our dander up.

Mr. Mauro: Okay. Do I still have time for one more, Mr. Chair?

The Chair: You have about a minute.

Mr. Mauro: Okay. You mentioned on the first page that about three or four years ago your mill cut its workforce from 1,200 to 900. What was occurring three years ago that led to that reduction in the workforce?

Ms. Krassilowsky: The mill's restructuring, through their need for efficiency.

Mr. Mauro: Okay. Thank you.

The Chair: Thank you. We'll move to the official opposition.

Mr. Hudak: Just a quick question. Thank you very much, Your Worship. I know my colleague has a question.

With respect to the transportation issue, that's why the opposition is calling for a minister McNeely to take over the portfolio from Minister Takhar. I want to get that on the record and fix these things up. It's just a private joke we have.

On the social services side, we've heard from municipalities today about the importance of trying to upload some of those services. Obviously, the province has its constraints as well. So if one of those services particularly should be the first to go, which of those would you recommend to the province?

Ms. Krassilowsky: Why do I have to have one? Can't I have them all?

Mr. Hudak: I know, but because there are limits to what the province could do—

Ms. Krassilowsky: We have to say ambulance. I mean, it has to be. But there are so many others that are just as necessary.

Mr. Hudak: I appreciate that. If it does happen, it might be one at a time.

Ms. Krassilowsky: Yes.

Mr. Yakabuski: Thank you very much for your presentation today. You mentioned, when dealing with the fibre costs for the mills, if the government were to upload the cost of roads—I don't know the figures, but the gentleman from Weyerhaeuser was saying something about the fibre costs here averaging \$55 and the average with your competitors is \$38, those kinds of numbers. My question is—even if the province uploaded the cost of roads, that would not bring those fibre costs down.

Ms. Krassilowsky: It's certainly going to go a long way in helping it.

Mr. Yakabuski: But it would not bring it down to that average, would it?

Ms. Krassilowsky: To \$35? No. They're willing to come to the table with \$5 if you come with \$5.

Mr. Yakabuski: So you would share it.

Ms. Krassilowsky: Yes. Those recommendations were made in good faith. I firmly believe that.

Mr. Collins: I think it was between \$4 and \$5 a cord that would lower the price, and the corder would deliver it to the mill if in fact the government paid the primary roads and 50% of the secondary roads. Everybody uses the primary roads. It's not just the paper companies that use the primary roads. The province used to pay.

Interjections.

Mr. Collins: No. I don't want to get into that. It's my time.

Ms. Krassilowsky: It's valuable time we have here.

Mr. Collins: It used to pay, and that was cut. I think it could be put back.

Mr. Yakabuski: Do I have any further time?

The Chair: Not really. You have about 20 seconds.

Mr. Yakabuski: Actually, the gentleman from Weyerhaeuser may have given the impression that he wasn't concerned about energy costs when I asked him. I'm certain that he is. He indicated, "Take care of the fibre costs and then we'll deal with energy." Fibre costs notwithstanding, I would suspect that anybody in the forestry industry is very concerned about energy costs.

Ms. Krassilowsky: I think that's well reflected in NOMA's policy, the energy policy that they put together.

Mr. Yakabuski: I just want to get that on the record, because you didn't really want to make a statement on that, it didn't seem. So energy costs are obviously very important to anybody in the forest industry.

Ms. Krassilowsky: Across the province.

The Chair: Thank you. We'll move to Mr. Prue of the NDP.

Mr. Prue: I'd just like to go back to the bypass, because this hasn't really made it onto the legislative floor, so I haven't heard too much about that until today.

Ms. Krassilowsky: Don't tell me that, or I'll cry.

Mr. Prue: I don't remember hearing it, but then again, I'm not there every day, unless I'm in the chair.

Interjections.

Mr. Prue: I'm sure he's spoken to it. I'm just not there every day. I haven't heard it.

Interjections.

Mr. Prue: That doesn't mean that it wasn't said. My goodness, I spend a lot of hours in there; a lot more than most.

Wherever I have seen a bypass anywhere in North America, not just Ontario but Canada and the United States, it invariably destroys the downtown. What I see in most of the towns is that when anything does happen, even in a big town like Brantford, it seems to be a shopping mall that's close to the bypass, close to the highway, and the downtown is gone. Surely you must be worried about that as well, because if the bypass goes, if there are any stores left, they'll be out by the bypass. They won't be in the downtown core.

Ms. Krassilowsky: In order to prevent that, we would have to put some kind of no-building compulsion along the highway, but we have businesses who hope to expand, who hope to retain what they already have, and moving that road is going to kill it. It's going to kill Dryden. It's not what we need. We are already facing the forestry crisis head-on, which is going to have a long-term impact just the way it sits right now, before it gets any worse or somebody pulls the plug on the mill. We don't need to have the bypass on top of that. We just don't.

Mr. Prue: As a municipality, you would have the wherewithal to stop that by not allowing building permits.

Ms. Krassilowsky: Location, location, location is what real estate's all about.

Mr. Prue: I know that.

Ms. Krassilowsky: If it doesn't go by the door, you don't see it and you don't receive the benefit.

Mr. Prue: You don't receive it. So your businesses would be hugely impacted, even though you would have the authority. That's what I wanted you to say, and you did.

Ms. Krassilowsky: Absolutely.

Mr. Prue: Go ahead.

Mr. Collins: The bypass is scheduled to go outside the limits of the city, and we don't have the control, because nobody has the control in the unorganized area.

Mr. Arie Hoogenboom: Just to be clear, our chamber of commerce is also very strongly lobbying against a

bypass. Our chamber of commerce is the second-largest chamber in northern Ontario, next to Thunder Bay. We have 250 to 270 members in our chamber of commerce. So we are a commercial hub in northwestern Ontario, and that commercial hub is telling us, "Do not move forward on the bypass."

Mr. Prue: Perfect sense.

The Chair: Thank you for your presentation this afternoon.

This meeting is adjourned.

The committee adjourned at 1623.

Continued from overleaf

Atikokan Hydro Inc.....	F-97
Mr. Wilf Thorburn	
City of Dryden	F-101
Ms. Anne Krassilowsky	
Mr. Brian Collins	
Mr. Arie Hoogenboom	

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Mr. Trevor Day

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CONTENTS

Wednesday 25 January 2006

Pre-budget consultations	F-51
Township of Atikokan.....	F-51
Mr. Dennis Brown	
Ontario Diabetes Action Partnership	F-54
Ms. Terry Anne Thomson	
Atikokan Roman Catholic Separate School Board	F-57
Mr. John McInnis	
Mr. Wayne McAndrew	
Ms. Teresa Larson	
Rainy River District Municipal Association	F-59
Mr. Charles Viddal	
Mr. Warren Paulson	
Power Workers' Union.....	F-61
Mr. Gary Shchepanik	
Mr. Jim Mallard	
Town of Fort Frances.....	F-64
Ms. Tannis Drysdale	
Atikokan Chamber of Commerce	F-66
Ms. Judy Nault	
Rainy River District Community Legal Clinic.....	F-69
Ms. Trudy McCormick	
Rainy River District Social Services Administration Board	F-71
Ms. Tannis Drysdale	
Mr. Charles Viddal	
Mr. Warren Paulson	
FibraTECH Manufacturing Inc.	F-73
Mr. Dan Warren	
Atikokan Ratepayers Association.....	F-74
Ms. Donna Zachariah	
Northwestern Ontario Municipal Association.....	F-77
Mr. David Canfield	
Mr. Iain Angus	
Kenora-Rainy River District Mental Health and Addictions Network	F-81
Ms. Susan Marshall	
Mr. Jon Thompson	
Municipality of Sioux Lookout	F-84
Ms. Cathy Kiepek	
Mr. Dennis Leney	
Weyerhaeuser.....	F-87
Mr. Dan Dedo	
City of Kenora.....	F-90
Mr. Rory McMillan	
Mr. Bill Preisentanz	
Mr. David Canfield	
Northwestern Independent Living Services Inc.	F-94
Ms. Kristan Miclash	
Mr. Mark Wherrett	

Continued overleaf



F-4

F-4

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Official Report of Debates (Hansard)

Thursday 26 January 2006

Journal des débats (Hansard)

Jeudi 26 janvier 2006

**Standing committee on
finance and economic affairs**

**Comité permanent des finances
et des affaires économiques**

Pre-budget consultations

Consultations prébudgétaires

Chair: Pat Hoy
Clerk: Trevor Day

Président : Pat Hoy
Greffier : Trevor Day

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Thursday 26 January 2006

Jeudi 26 janvier 2006

The committee met at 0908 at the Cedar Meadows Resort, Timmins.

PRE-BUDGET CONSULTATIONS

The Chair (Mr. Pat Hoy): The standing committee on finance and economic affairs will please come to order.

Committee members, we have a bit of housekeeping that I'd like to address first thing this morning. Per an agreement of the House leaders, it is requested that the standing committee on finance and economic affairs authorize one staff person from each recognized party to travel with the committee, space permitting, for the purpose of pre-budget consultations, and that reasonable expenses incurred for travel, accommodation and meals be paid for by the committee upon receipt of a properly filed expense claim.

Could I have someone move that? Mr. Arthurs. All in favour? Carried.

Now we'll begin our regular order of business.

ONTARIO MINING ASSOCIATION

The Chair: The committee is pleased to be in Timmins, and I call on the Ontario Mining Association to come forward, please. You may have a seat anywhere you like. The staff will control the microphones. You have 10 minutes for your presentation. There may be up to 10 minutes of questions following that. I would ask you to state your name for the purposes of Hansard. Please begin.

Mr. Allen Hayward: My name is Allen Hayward. I'm the current chair of the Ontario Mining Association. I'd like to thank the members of this committee for allowing us to present our suggestions and concerns on behalf of the province's mining sector. It's particularly appropriate that we do this in Timmins, which has one of Ontario's and Canada's longest reputations in the mining industry.

At this time, we see mining humming along all around the world. Things are booming. Gold is now over \$550 an ounce, copper is more than \$2 a pound and we have very strong nickel and zinc prices to go with that. This has ignited mining activity everywhere. We see this situation continuing in the future, driven primarily by the economies of China and India.

There is also a lot of merger activity in the mining industry right now. My own company, Falconbridge, is quite heavily involved in this, as I'm sure you're all aware. I won't say more than that on that subject.

Just as a reminder, the contribution of mining to the province is significant. I'm going to read off a few statistics to demonstrate that:

—About \$6.4 million per year in claim-staking business at the front end of exploration and development;

—\$139 billion of market capitalization on the Toronto Stock Exchange and the Toronto Venture Exchange, which are probably the primary exchanges in the world for mining activity;

—197,000 people employed in the mining cluster, with an annual payroll of \$9.5 billion, which results in \$3.1 billion in value added to Ontario's economy;

—85% of the workforce uses some form of advanced technology, whether it's in materials, telecommunications or electronics;

—As a percentage of total employees, the mining industry has 50% more people with PhDs than the manufacturing sector;

—R&D investment in the higher education sector in Ontario in natural sciences and engineering has increased to over \$1 billion a year;

—Value added per employee in mining is \$239,000 per year, up 45% over the last 10 years, which is more than the chemical industry, the computer or electronics sectors and the average for all manufacturing.

—Mining productivity has grown 42% in the period between 1997 and 2003.

As I'm sure everyone here is aware, mining holds high potential for regional development. In Timmins, we know mineral production supports local industries. My own company is heavily involved here. Mining operations in Ontario spend about \$1.2 billion on goods and services every year. Of that, \$925 million, or 76%, is spent in Ontario, and of that, 45%, or \$543 million, is spent on purchases from suppliers within 80 kilometres, or 50 miles, of the operating mines.

Government support: what the industry is looking for from government. What specific actions can government take to support this modern, high-tech, environmentally responsible, wealth-creating industry for the greater benefit of the society and economy of Ontario? The Ministry of Northern Development and Mines consultation paper, A Mineral Development Strategy for On-

tario, is a forward-looking initiative and holds the potential to provide a framework for future mineral development in Ontario.

The mining industry noted with interest the Auditor General's report of 2005. While the OMA would support the Auditor General recognized initiatives to review auditing methods applied to claim-staking and assessment requirements and to address the abandoned mine site situation, the OMA would like to emphasize the need for improved geological mapping. The \$15-million commitment in this area over three years in the last provincial budget is helpful. However, more is needed, and advancing knowledge through geological mapping benefits the mining sector through increased possibilities for future exploration. Investments by the province in geological mapping could be enhanced if better coordinated with federal support of geoscientific programs.

I would also like to encourage the committee to look at the neighbouring province of Quebec. In the Quebec provincial budget of 2001, there was an announcement of a tax credit to provide initiatives for mineral exploration. This program has been extremely effective. Although there are variations based on the location of mineral exploration in Quebec, the essential element of the program is that a company can be reimbursed for 45% of its exploration costs.

Tied in with a need for more geological mapping and exploration incentives is the need for additional resources and support for First Nations and aboriginal communities for training and education. Supporting the greater involvement of First Nations residents in the economy through skills development is a just action from the perspective of societal development and something that we hope will better equip First Nations communities to take advantage of employment and entrepreneurial opportunities in the mining industry.

Mining in Ontario is a high-tech industry and needs to be supported as such. The Ontario Mineral Industry Cluster Council is playing a major role to enhance this cluster and the economic benefits it provides. One extremely important initiative of that cluster is CEMI, the Centre for Excellence in Mining Innovation. CEMI is a vital research effort providing a strong foundation for global competitiveness. R&D are needed to apply more intellectual rigour to mine planning and mine processing to ensure we extract long-term potential and sustainable value from our mineral resources.

While R&D has merit in itself, a spinoff benefit is that it trains the next generation of mining's skilled and innovative workers needed to close the job shortage gap, which I will mention in a moment. However, in government research funding programs, the mining industry is largely ignored. Mining industry needs are not well represented in current funding schemes and guidelines, which puts mining R&D groups at a disadvantage. Researchers supporting the mining industry have a difficult time leveraging funding from government research programs. The OMA would like to see current and future research programs give more consideration to the

research needs of mining so that mining is included as an important industrial sector in the research funding allocation process.

The shortfall in the projected mining skills crunch can be seen as an opportunity. MITAC, the Mining Industry Training and Adjustment Council, points out the need to fill 81,000 high-paying, highly skilled new jobs in the next 10 years. This is primarily due to the attrition of the current workforce. Schools like Northern College and the Haileybury School of Mines do a great job in helping to fill that gap. Northern College and Cambrian College in Sudbury are the founding partners in an initiative that now links them with Canadore College in North Bay, Confederation College in Thunder Bay and Collège Boréal and Laurentian University in Sudbury to create the new Federated School of Mines. The government should be helping more with the training and skills development of students to help better prepare them for opportunities in the mining sector.

One of the areas addressed by the Auditor General involved abandoned mines. The MOU between the Ontario Mining Association and the Ministry of Northern Development and Mines is a model to the world for addressing historic environmental mine site issues. However, Good Samaritan legislation would be a positive step in giving mining companies the green light to engage in a broader cleanup.

Energy remains one of the bigger issues for mining operations in Ontario. The OMA is part of a broadly based electricity consumer group that is advocating the need for a period of stable and predictable prices while working on a plan for reliable and affordable electricity in the future. We are recommending an extension of the revenue cap on Ontario Power Generation's unregulated generating stations for three years. Also, we'd like to see an expansion of the coverage to 100% of OPG's output from the current 85%.

If action is not taken by the government, all electricity customers could face another round of rate increases in May this year. Contributing to this perspective, along with electricity uncertainty, are permitting delays and added costs from Bill 133 and employment taxes.

Despite a safety record that has improved steadily for more than three decades, making Ontario the safest mining jurisdiction in the world, government-imposed workplace safety and insurance premiums continue to increase. There is a doubling of health care costs for workers, and WSIB's new model of fairness harms mining and other employees and employers in northern Ontario.

0920

Finally, the Ontario Mining Association sees mining as a solution provider. The mineral products the world needs—perhaps “demands” is a more accurate word—will come from somewhere, and Ontario wants to be part of that trend and benefit socially and economically from mining.

A recent survey by the OMA has shown that 85% of Canadians believe that mining is an innovative, high-tech

industry; 83% of Canadians believe it is important to have Canadian global champions in the mining industry; and 96% of Canadians believe it is important for mining companies to have head offices in Canada.

Again, thank you for the opportunity to present these ideas. I and my colleagues at the Ontario Mining Association would be pleased to discuss any of these issues further and provide more detailed information.

The Chair: Thank you. We'll begin this morning's questioning with the official opposition.

Mr. Norm Miller (Parry Sound-Muskoka): Thank you, Mr. Hayward, for your presentation this morning. You noted that you work for Falconbridge. I had the privilege of having a tour of your Nickel Rim project that you have going on now and was just amazed by the capital investment you're seeing in the Sudbury area. I was especially amazed looking around at all the investment and equipment that's going into that mine and noting how much of it is coming from southern Ontario.

It's largely unnoticed in southern Ontario. There are people in the south, as I was saying to you before this started—if a similar investment was being made by General Motors, it would be front page news in the Toronto Star, but mining, at least in the south, doesn't get the same sort of attention. I don't think it's recognized how important the industry is to all of Ontario, not just the north.

One of the things you're asking for, in terms of government action, is tax incentives to encourage more exploration. Would that be a program similar to the Operation Treasure Hunt that was in place a few years ago?

Mr. Hayward: I'm not familiar with the details of Operation Treasure Hunt, but what we're proposing is something similar to what's taking place in Quebec right now. I understand that that program cost the government of Quebec \$40 million last year.

Mr. Miller: Do you have some idea of the benefit that's come from it so far?

Mr. Hayward: I can only tell you that one of my areas of responsibility, and obviously an area that Falconbridge has, is Raglan, a mine in northern Quebec. We're spending a lot of our exploration dollars up there. Basically, we're taking advantage of the program to advance our exploration, which in turn, of course—if we're successful, and we have been there—will advance the development of more capital and expanding the operations there.

Mr. Miller: Certainly, I would encourage the government to look at a program such as that, because I think there is a huge benefit. I think the current De Beers mine likely happened as part of one of those programs that were put in place a few years ago. They likely wouldn't have taken on the risk of trying to develop a mine in such a remote location as west of Attawapiskat had there not been some fairly substantial incentives put in place by the government. I certainly think that makes sense.

I'll pass it on. I know Mr. Hudak wants to ask a question.

The Chair: Time has expired. Mr. Prue, of the NDP.

Mr. Michael Prue (Beaches-East York): When you were making your deputation, I noticed you left out a line. I just wondered whether it was time constraints or whether you don't want that idea or what. You said, "Also, we would like to see an expansion of the coverage to 100% of OPG's output from the current 85%," and then you left out "and the immediate return of OPG profits which are surplus to immediate needs to customers." Are you asking for that, or have you changed your mind?

Mr. Hayward: Yes. Actually, I thought I had 20 minutes to make the presentation, and when I sat down I was told I had 10, so I tried to kind of edit it as I was going along. If I missed any important parts, we have provided hard copy. It's all equally important. It was simply a judgment on my part on how to get from the start to the end in 10 minutes.

Mr. Prue: So you are looking for the return of OPG profits.

Mr. Hayward: Yes.

Mr. Prue: Okay. The second question I have is from the next page: You said, and I'm curious about this, that "the WSIB's new model of fairness harms mining and other employers and employees in northern Ontario."

How does it harm employees in northern Ontario?

Mr. Hayward: Obviously, anything that harms the business harms the employees of that business, as a general statement. They're both stakeholders in the business.

Mr. Prue: But if somebody is injured on the job, they're an employee and they're injured, how does the model of fairness—how is that hurting an injured worker?

Mr. Hayward: The issue here is, and I think we quite clearly illustrated that earlier on, that this industry has seen a tremendous improvement in safety results. In fact, for 2005 we finally got our lost-time injury rate below 1%; it was 0.9%. So we've made huge strides in the whole industry, and that includes our employees. Most of our safety initiatives, as you know, are bipartite. They're employee-management safety initiatives.

At the same time that the number of employees has been going down and the accident rate has been going down, the WSIB-mandated costs have been going up. That really is the point here, that there's really very little incentive from our relationship with the WSIB. We're not seeing the advantages that we expected to see from improving our safety results. People come from all over the world to see the safety systems that we use in Ontario. We say we're the safest mining jurisdiction in the world and we believe we are, and I can tell you from personal experience that the numbers of other people come here not to see how we drill and blast but how we handle our safety programs basically to me would vindicate that.

The Chair: Thank you. We'll move to the government.

Mr. John Wilkinson (Perth—Middlesex): Thank you, Allen, for coming in this morning and sharing with us what is truly a success story in Canada and around the world. In particular, in your testimony you said, "Investments by the province in geological mapping could be enhanced if better coordinated with federal support of geoscientific programs."

I know there's some new money that has gone into geoscience mapping in the far north, \$15 million over three years, and I guess we've put some money into revitalising our own geoscience laboratory. But if you could help us with your advice as to how we can better coordinate with the federal level of government—maybe to get some synergy and get even more results from that—those of us who don't know much about geoscience mapping would appreciate something.

Mr. Hayward: I must admit, neither do I; that's not my particular area of expertise. I'm a mining engineer, not a geologist, but I think we'd make the same comment where a lot of federal and provincial jurisdictions overlap. We'd like to see all those programs complement each other.

Mr. Wilkinson: Does the industry cluster council have a relationship with the federal government or is it something that we're doing here in Ontario?

Mr. Hayward: Certainly it's more of an Ontario initiative. What we're trying to do there is model other clusters in other places that have successfully created some energy and some momentum. We think that we've got all the necessary ingredients here in the north to have a very successful mining cluster. One of the biggest outputs of those clusters is intellectual property or intellectual capacity. You get a lot of very clever people attracted to those kinds of models, and then they become available in the industry. It's self-generating once it takes off.

Mr. Wilkinson: So really there isn't a formal kind of linkage between our two levels of government. I notice that you said you're happy that we seem to be engaging our First Nations, trying to have a co-operative relationship, so that's one level of government we're dealing with, in the municipalities, and that the feds are doing things. It's maybe not at cross-purposes but just a better coordination.

Mr. Hayward: Yes.

Mr. Wilkinson: So one recommendation we can take to Minister Bartolucci is the need to do that.

Mr. Hayward: Yes, and we've had many conversations with Minister Bartolucci and other departments on all kinds of things, including the permitting process; how things could be better coordinated from an industry perspective by all of the different departments and the different levels of government.

The Chair: Thank you for your presentation.

The committee members would want to know that some research materials have been placed at each of your places this morning. You can look at them at your leisure.

0930

PORCUPINE PROSPECTORS AND DEVELOPERS ASSOCIATION

The Chair: I would now call on the Porcupine Prospectors and Developers Association to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Bill MacRae: Good morning, Mr. Chairman and committee members. I'm Bill MacRae, president of the Porcupine Prospectors and Developers Association, a local prospectors' group. I'd like to thank you for this opportunity to speak with you today.

The things that are important to Ontario prospectors and explorationists in this area are, first and foremost, land access. Over the past several years we've seen that dwindling with Lands for Life and Living Legacy. Our access to exploration lands has diminished our opportunity to look in new areas.

A second issue would be what I call "good geological databases," which is geological mapping by the OGS, something that previous speakers spoke on—support of things like the targeted geoscience initiative with the GSC, an operation where they've targeted base metal-type exploration in five centres across the country.

The other part of that is the co-operative geological mapping strategies that the Ontario government is supporting, working with Quebec, so that we eliminate the boundary faults between provinces, so that the same rocks go across the border, so that hopefully we can map them that way. I think that's a good initiative but we need more and stronger funding in that.

With other data collection initiatives such as Discover Abitibi and discover Nipigon we were able to, here locally, get federal, provincial, municipal and industry together to fund and support a data collection process. We've spent close to \$14 million in real money and probably brought into the geological information well over \$150 million in historic data that was not available before.

These sorts of initiatives can be ongoing. We need support for the second phases of Discover Abitibi through government matching of funds and support.

Another issue we feel strongly about is the flow-through share program. The federal government in fact stopped the program as of December 31, but provincial governments have programs in place for each province. Quebec has roughly a 50% incentive on top of the federal incentive. Manitoba has 10%, with Ontario sitting at 5%. I'd like to see that increased to a much better value because I think the thing that has carried Ontario so far has been its abundance of good geological areas that attract people and good world-class mining camps like Timmins that get the junior companies here, and it's the junior companies that take advantage of flow-through. If you look at the last eight or nine years, major companies

have been spending anywhere from \$300 million to \$450 million a year. The junior companies have been spending anywhere from \$150 million, up to \$600 million this year. So it's things like the flow-through program that support the junior companies. If we don't find mines through junior companies, the majors do not have a good history of finding mines.

Another issue is sustainability. We need to find new deposits; our reserves are depleting.

All of the previous issues address how we can find these new mines. We also need people, and the idea of training, specifically in the geosciences, for geologists and engineers to help us. If we don't have the people to do the exploration, then the exploration won't get done. So we'd like to see some encouragement or some financial incentives to get people into the geoscience projects or the geoscience education stream.

Another issue—it's more related to mining, but it's now becoming closer to the exploration side of things—is permitting. Normally, in a mine situation it takes two to three years of just simple permitting to get an operation going. We'd like to see that streamlined and maybe centralized into a one-window approach so that we don't have to spend money and duplicate projects and investigations to get these permits in place.

The final thing would be, with junior companies and explorations, dealing with native issues in the north. The government has generally stepped away from that and left it up to the responsibility of the companies, but we feel it's an issue that the government should take the lead in. A junior company can't afford the time and effort, and it's usually several years to be able to deal with these issues and do the work.

Those are the issues that I have this morning. Thank you for the opportunity.

The Chair: Thank you for the presentation. We'll begin this round of questioning with Mr. Prue of the NDP.

Mr. Prue: On the last point, I'm a little curious on this: government taking the initiative to go into traditional aboriginal lands to tell them what? To let people go in to explore? Usually, when you go to someone's house or home or property, you ask permission yourself; you don't have a third party. I'm just curious.

Mr. MacRae: If you approach it on a company-by-company basis, the larger companies tend to set a precedent, like the De Beers benefit impact. They'll set the precedent and then the native groups will want to have that same sort of benefit. For a junior company that is only doing some diamond drilling, it's just unrealistic. We would like to see the government facilitating these meetings and negotiations so that the junior companies don't take the full financial burden for a small program that a large company can manage quite easily.

Mr. Prue: So this is for the government to step in because some of the native communities have too high an expectation in terms of what they're going to get. If they don't get it, they tell you, "Don't come on our land." I guess that's what they say.

Mr. MacRae: That's right, yes.

Mr. Prue: This is a difficult one. I can understand where you're coming from, but this is treading on their traditional land without compensation that they feel is adequate. That's true of any property owner.

0940

Mr. MacRae: I'm not saying there's no compensation. I'm just saying that if the government takes the lead in negotiating, then there might be more consistency between these negotiations.

The Chair: We'll move to the government.

Mr. Wayne Arthurs (Pickering-Ajax-Uxbridge): I'd like to explore just a little bit more, if we could, the issue of land access for exploration. You made some comments about some decisions that have been made around Living Legacy and the like. My understanding is that that has restricted the capacity to get access. Can you take a little bit of time and tell me a little more about the constraints and the issues surrounding that?

Mr. MacRae: With the Living Legacy and Lands for Life, all those lands that were withdrawn into those areas are treated as parks and, as a park, there is no exploration within those boundaries. In my involvement with this association, they've gone from probably less than 5% of the province to well over 12%, I think it is now. That's a very large amount of land that has been withdrawn from us.

Mr. Arthurs: And much of that would be land that would traditionally have been within reach for the purpose of prospecting and mining, that could be accessed for that purpose, and product moved from the mine sites to wherever they had to go, if you had greater access to those lands?

Mr. MacRae: It's things like waterway parks. They're long and narrow. Sometimes the most cost-effective way to get to your land is across those parks. Now that access is denied. You have to go around or use much more expensive means to get to the other side of a park that may be less than a mile wide.

The Chair: Mrs. Mitchell, about a minute.

Mrs. Carol Mitchell (Huron-Bruce): I just have a quick question. One of the recommendations that was made by OMA—you were sitting here and you heard the presentation—referred to geological mapping. They're looking for enhancement and better coordination between the federal and provincial governments. With the nature of your business, how do you respond to that recommendation?

Mr. MacRae: I would like to see more funding into the OGS, the geological survey. I think the far north initiative is great but, in reality, \$15 million is nothing. We need much more than that to build what I call a good geological database and good mapping. Just because an area was looked at in 1950—ideas have changed; new theories have come along. It needs to be looked at again. We've always tried to get areas re-looked at on a systematic basis. Co-operation with the GSC is proposed. I don't know whether it's going to survive through this government change. There was a \$25-million program put in place and a project in the Abitibi defined. We hope

that's going to go ahead. That will help to get both Ontario and Quebec working together. That's the other issue I have, getting Quebec and Ontario to work together. They've started, but I think we need a lot more pressure on that.

The Chair: We'll move to Mr. Hudak.

Mr. Tim Hudak (Erie-Lincoln): Bill, thanks very much. It's great to see you again. I certainly appreciate all the advice I had from the Porcupine prospectors—and I know PDAC is on a bit later this morning—in my time as mines minister.

I have a couple of quick questions for you. You talked a bit about the Quebec program, and we had brought in the Ontario focused flow-through share program. Could you just refresh on how we're comparing in that respect to the other provinces and what level you think Ontario should achieve?

My second question: I've heard some concerns about electronic registry and electronic prospecting, and I'm wondering where that stands and your opinion on that.

Mr. MacRae: I think you're implying about map staking or alternate methods.

Mr. Hudak: Exactly.

Mr. MacRae: Locally, we do not support it. There is a very large industry locally in on-the-ground staking. It's a strong employment factor here. We do not support it in any way. We understand the problems, which are generated more in southern Ontario, and we have conditional support for map-staking south of the French River, but in this area we do not support it.

Mr. Hudak: And the focused flow-through share program?

Mr. MacRae: It's great. It just needs to be higher.

Mr. Hudak: To what level?

Mr. MacRae: Five per cent right now.

Mr. Hudak: And do you think we should get to Quebec's level or halfway or—

Mr. MacRae: I think we could probably get to 30%, which would be fantastic. The ability to raise junior monies—you won't see it this year, because people have raised their flow-through up to the end of December, but you'll see it next year when that money is spent.

Mr. Hudak: Is there still time?

The Chair: One minute.

Mr. Hudak: You mentioned too the importance of better provincial participation in furthering the dialogue between First Nations and prospectors and First Nations and mining companies so that we can mutually benefit from some of the resources we all know are under the ground. Is there any specific advice you'd give the committee in terms of how the province can move that along?

Mr. MacRae: I would like to see, maybe, a committee set up that deals specifically with those issues—

Mr. Hudak: Involving the province, PDAC—

Mr. MacRae: No, specifically a government committee that would deal with issues between natives and junior mining companies and prospectors.

The Chair: Thank you for your presentation.

TIMMINS AND DISTRICT HUMANE SOCIETY

The Chair: I call on the Timmins and District Humane Society to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I'd ask you to identify yourself for the purposes of Hansard.

Ms. Lynn Michaud: Thank you. My name is Lynn Michaud. I am the executive director for the Timmins and District Humane Society. I am also a cruelty agent and an animal control officer. I want to thank everybody for allowing us to present today. It's a good opportunity for us.

The Ontario SPCA is a non-profit charitable organization dedicated to the protection of animals. As the handout clearly indicates, that includes anything from birds to bats, rats to raccoons, dogs to deer and cats to cows. There's pretty much nothing we don't take care of. We actually have a lizard at our shelter right now.

The Ontario SPCA encompasses branches and affiliates. The Timmins and District Humane Society is an affiliate. We provide care and shelter to tens of thousands of abused or abandoned animals a year. The Ontario SPCA is mandated under the Ontario Society for the Prevention of Cruelty to Animals Act to enforce animal cruelty laws. Because of this, we have the powers of the police to lay criminal charges as well as charges under the OSPCA act. We have also been named as an agency to enforce the new Dog Owners' Liability Act, referred to by ourselves as DOLA but also known as the pit bull legislation. We are also called upon by various government ministries on a regular basis to perform services. These have been issues such as OMAFRA—sale barns and the Dead Animal Disposal Act—and the MNR for bear cases. We're called upon for services such as those.

The Timmins and District Humane Society is actually only responsible for the area between Timmins, Iroquois Falls and Raymore. However, we also cover all the way to Hearst and Cochrane, as well as assisting Sudbury with Chapleau and Foleyet because there is no branch or affiliate in the Kapuskasing area. There was one at one time, but because of various reasons, those services were withdrawn. Even though we're not expected to cover that area, we do so because there is a need for animal protection services in that area.

In regard to operating costs for the Timmins and District Humane Society, our operating costs are about \$220,000. Some of that is funded through animal control services, but the majority of it is through fundraising, donations and whatever grants we can apply for. We receive no government funding for our day-to-day operations, which are our adoption program, spay/neuter program, vaccination program and education, as well as the Investigation: Cruelty pieces that we do. Investigation isn't just the manpower of investigating; if we end up removing an animal, we have to pay for that animal's care, whatever process is required if we're going to lay charges or to ensure that that animal is seen to. Nine

times out of 10, we don't get that money back. People usually don't have the funds, or we never see it. So we don't get any money for that, and we lose a lot.

0950

Demands on animal welfare: In the past five years, the number of animals rescued by the Ontario SPCA has more than doubled and the number of animal cruelty charges laid by the Ontario SPCA under the Criminal Code as well as under the OSPCA act has increased sevenfold. If you look at the numbers, in 2000, a little over 3,000 animals were rescued, compared to 2004, when 7,267 animals were rescued. In regard to charges, in 2000 we laid 97; in 2004, 695.

I can speak to our area here. In the last month, I will be laying four criminal charges of animal cruelty. I'm going to have a total of eight in the last four months. That's eight charges of animal cruelty in the last four months, just in this area.

Search warrants have quadrupled, as far as their use and execution, as well as orders, which have tripled. When I speak of orders, for those who may not know what that is, it's when an animal is seen as requiring changes to its care or environment. We issue orders to those people, advising on those recommendations. That has tripled, as far as our role is concerned.

Going back a bit to the pit bull legislation: This is a service we provide, but again, we get no funding for it. If an animal contravenes DOLA, we take that animal in and have to hold it for five days. We get no funding for caring for that animal, feeding it, doing the investigation as to whether we have to apply for an appeal hearing to have the dog euthanized if it has bitten somebody—again, resources we don't have to implement that. We're not compensated for it.

Animal care and protection services have increased for a number of reasons. Just going back to 2001, the OSPCA spent \$6.4 million for animal care and protection; in 2004, it was \$8.1 million. That's an increase of 26.4%.

Going back to funding a little bit, we've got some good community support in Timmins. We've been fortunate to have what we call angel donors to assist us in doing our day-to-day work. One of our angel donors gave us a substantial amount of money to purchase our new shelter. It wasn't the best shelter, but we got a shelter, which was good, because we were close to having to close our old shelter; we didn't have the funds to get a new one. We've been fortunate that way, but that kind of support is very inconsistent and not something that can be relied upon. This year, because of the new shelter and the renovations, we're looking at a real financial crisis for the Timmins and District Humane Society.

Speaking to financial realities, again, a lot of the OSPCA's funding comes from legacy donors, donations, fundraising. They're not consistent and they're not reliable. For ourselves, we project a deficit of almost \$90,000 to \$100,000 for the Timmins humane society. We'll work our butts off to try to find that money, but that's what we're looking at and that's a reality. Part of

that is for renovations for the shelter. We don't have the funds right now to bring it up to speed. It is acceptable right now, but we're looking at a requirement of over \$17,000 over the next five years to provide the renovations required to sustain it.

As far as the increase of activity for cruelty investigations in Timmins alone, I believe that ours has increased dramatically. One, there was more presence of the OSPCA here, and so people are recognizing that and calling us more. Also, because our presence is felt more in Kapuskasing, Cochrane and Hearst, we're getting more calls there. We're getting almost as many calls from Kap, Cochrane and Hearst—more rural areas—as we are in Timmins.

The other reason we see an increase in our services here is that recently, in July, we took over animal control services. We're seeing much more animal cruelty now because we're in there for animal barking or other complaints. Two of the charges I spoke to that came in the last month came from animal control—two severe cases of neglect to dogs. We would never have gotten them if it hadn't been for animal control. So we're seeing a huge increase in our role as cruelty agents.

Just to speak to that, I am actually the only active agent in Timmins, Cochrane and Hearst to cover this whole area. So I'm kind of by myself, with the assistance of Sudbury and other agents when needed. Again, increased staffing would be a great thing.

Another reason that I think we're seeing an increased problem with cruelty and investigations is that there is a pet population problem throughout the province. I can speak for animal control. On average, if I was going to guess, we put down about 150 cats per month. We probably put down 30 dogs per month. We euthanize them, not because they're aggressive and not because they're sick; we have no homes for them. We get them by the dozens. We could get 17 cats in one day. This adds to the neglect and abuse that we see these animals going through. There are just too many of them. Something the OSPCA is firm about is the pet population and spay/neuter, and it's something we promote.

I've spoken already in regard to Hearst and Kap, and the problem that if we have to look at withdrawing our services from there—something we are seriously considering because of our financial constraints—you're looking at the police covering that area and the possibility of the municipality's having to start taking in abandoned or neglected animals, something that I'm sure they don't want to do, not that they're not interested. They were quite happy to give us animal control in this area, because they too needed a new building for their animal control services.

The Chair: You have about a minute left in your presentation.

Ms. Michaud: I'm almost done.

Basically, if you look here, there was a Grant Thornton report that was commissioned by the McGuinty government. It recommended that government must provide interim funding to facilitate the stable operations

years and asked why they have stopped that now. I told him I am trying to find that out. After all, we have garbage and recycling pickup. We also have our mail and paper delivered every day. Our road is a public road and is maintained by the city of Timmins.

1010

Reason number 2: Our road is a dead end and, in their policy, no bus will go down a dead-end road. Our road is over a kilometre long, and there are plenty of other dead-end roads. The children on these roads all get picked up at the end of their driveways. The bus pulls in and turns around with no problems. All my children ride on these same buses. Why don't they get picked up at their driveways, they ask me, like all the other children? Their roads are no better than ours.

Reason number 3: Two buses on the same road might cause a possible problem. Well, they never had a problem in the past. The bus drivers have stated to me that they do not like this situation of dropping children off at the highway. They don't like it. It makes them nervous and they fear for the children from a possible bear attack. But they are all told, "Do not go down Dorans Road." They have told me that if they could, they would bring the children home for peace of mind, knowing that the child has arrived safely.

Remember that country-based children do not have the same advantages as city-based children. The tri-board policy must take this into consideration and safety provisions must be made and policies changed for all children of rural route roads in northern Ontario.

I have voiced my concerns to the tri-board, the principals and school boards. Trustees have even come to my home. I thought these concerns would be heard and policies would be changed. But despite my concerns on my web page, I have been sent a copy of a letter from Toronto to Yahoo!Geocities to have my website shut down. What a slap in the face. Instead of spending money to change the policies and keeping our children safe, they're spending money for a lawyer to shut me up.

This situation is an accident waiting to happen, and accidents can be prevented. Bears have powerful jaws for which a child is no match. We are told to walk with them to the highway. Well, an adult is still no match for the jaws of a bear, while the child is debating whether to help or run for help. I am told by the board that the bear issue is a provincial issue and not theirs.

On the Timmins Police website it states, "Do not let your children go out and play in the woods." But the tri-board is making our children walk over a kilometre in the woods to catch their school buses at 7:30 in the morning with a pack-sack full of food.

There are not many parents here because they are afraid that if they support me, their children will have to start walking like the children of Dorans Road. Because of my complaints, some children have now been forced to walk. Bus drivers are told to drop a child off at their bus drop, even if they are passing the child's home.

In the tri-board policy, page 4, point 2, it states—I have it here printed out—"If a pupil for whom walking poses a danger," they'll make an exception.

That children who live in the country have to walk up to and over a kilometre to catch their school buses poses many dangers. There are no sidewalks. The children have to walk on the road. Children have to walk with wild animals, and the bears are all over our country roads and on our properties, spring, summer and fall. Since the spring bear hunt was cancelled, there are over 200,000 bears roaming our countryside and entering our cities. As of September 9, 2005, there were 543 nuisance bear calls to the Timmins city police. The bears are more aggressive, and there has already been a death this summer only 70 kilometres from here.

We also live in blueberry country. We can pick blueberries for days up and down our roads.

There is also the danger of child abduction because children have to walk deserted country roads to catch their buses. But our children have to walk and wait, with the bears just inside the bushes. One of these days, a child is going to be killed by a bear and then there will be a law passed and all children of rural route roads will be picked up at the end of their driveways. If you can't see them get on the bus, then the bus stop is too far.

Bears have been at our patio doors, in our driveways and walking the highway. There has been a mother bear and her cubs at the corner of Dorans Road and Laforest all summer long. Our children's bus stop is at the corner of Dorans and Laforest. Despite this, we are told that policies will not change and we must walk with them.

There is Sabrina's Law, where all schools must be equipped with an EpiPen for allergic reactions and personnel must be trained to deal with this. But remember, Sabrina had to die to get this law passed. In Sabrina's memory they will ensure no other child suffers a similar, likely preventable, death. Are we waiting for the death of a child to change this? Well, I'm not. We drive our children to the bus stop every day at the highway, but it's unfortunate that our young neighbours have to walk over a kilometre to the highway because the parents work early and are unable to drive them. Our neighbours have picked up the little girl, who is 11, because there was a bear in their driveway five minutes before she left her door. Despite my concerns, there are still no changes. She is sometimes afraid to walk the half kilometre to the highway because there's always a bear around.

I have contacted the Premier of Ontario, the Ministry of Education, MPP Gilles Bisson, our Ombudsman's office, and Brian Peat of the Ontario Federation of Home and School Associations. They have all responded and told me they agree that something must be done and that this must be changed. They want our children to be safe, but despite their phone calls to the school board, there is still no change. Mayor Vic Power of Timmins has also e-mailed me and called. He states that he agrees with me that no child should have to walk, but there are still no changes.

That is why I'm here today, because who knows how many children have to walk these distances to catch their school buses out there in the country? One day, one of these children is not going to make it home. This needs to be acknowledged and it needs to be changed.

Walking on rural route roads poses great dangers to our children. I am asking that this be changed for all children of northern Ontario. Don't let our children walk in fear; keep them safe. Start sending buses to pick up all the children at their driveways if they live in the country.

The bear situation is not going to get any better; it's only going to get worse. If we have another dry summer, then the berries will be scarce. We don't grow vegetables any more in our backyards, and we no longer put out bird feeders. We put up a fence and don't let our children play outside without adult supervision. But we are still expected to make our children walk the country roads to catch a school bus.

Remember, country-based children do not have the same advantages as city-based children.

The Chair: Thank you. We'll begin the questioning with the official opposition.

Mr. Hudak: Thank you very much, Ms. Burey, for the presentation. Obviously, you are a passionate defender of your children and their safety, as you should be. I appreciate you bringing it forward to this forum.

There are two real issues that you have spoken about. One is the number of bears, and the other is the safety of students having to walk great distances to board the bus. I take it by your presentation, just on the bear issue, you'd be a supporter of a return to the spring bear hunt, or do you really have no opinion on that?

Ms. Burey: I really don't have an opinion. I support it both ways. My issue is, if you're going to change that law, change the law that everybody else is affected by.

Mr. Hudak: Right. So either way, despite whatever the policies are on bear hunting—

Ms. Burey: There are other things on the road besides bears. There are no sidewalks. The kids are in danger. I have had a child picked up for four months by a 40-year-old man at the highway and we didn't know it.

Mr. Hudak: Under the current school board policy, how long was it, did you say, that your children would have to walk to the bus?

Ms. Burey: How far or how long?

Mr. Hudak: How far would it be?

Ms. Burey: We live at 0.3. Our neighbour who is 11 lives at 0.5, half a kilometre. Our high school student lives at 1.1 kilometre.

Mr. Hudak: OK. How has the response been from other parents who live in—

Ms. Burey: Very good, but like I said before, I have driven around and on the other rural route roads their children are all getting picked up at the end of their driveways. As of right now, Dorans Road is the only road that I have found in Timmins that has to be walked.

Mr. Hudak: You gave some of the board's responses, and I think if you were kind enough to leave—

Ms. Burey: I gave the responses for the last five years.

Mr. Hudak: If you were kind enough to leave a copy of the report, we could—

Ms. Burey: I have copies for everybody. I have newspaper clippings we put in the newspaper December 30. I had the kids go out there and picket with signs, "Please

Keep us Safe" and "I Want Buses Down Our Road," and still no changes.

Mr. Hudak: Dorans Road is an unfinished road?

Ms. Burey: No, it's well maintained by the city of Timmins. That's why I called the engineering department and asked them why. We always got this bus, the little bus, from 1998 to 2005, sent to our homes. Now they're sending a 72-passenger bus for a handful of children who live on our road.

Mr. Hudak: I'm sorry. Which school board was it?

Ms. Burey: It's both school boards. Right now, it's the English—the Northeastern Catholic District School Board. This is what I put in the paper on December 30, because I had a process that I had to do first to get everybody to hear me, and I believe this may have been the last step.

I have all the letters from the tri-board making my children walk down our road and down the highway. I believe that if it wasn't for a four-year-old child that I have, he'd still be walking, despite—

The Chair: Thank you.

Ms. Burey: I also have a letter here that states all the excuses why they say they can't send a bus down our road.

The Chair: Thank you. We'll move to the NDP.

1020

Mr. Prue: I just want to be clear: I heard the excuses that the board has given but I didn't hear that they don't have the money to do it. Is there any issue about money, that they don't have enough money?

Ms. Burey: They have never raised the issue of money.

Mr. Prue: All right, so it's just that the road is a dead-end road and has some hills or valleys or curves or something on it.

Ms. Burey: No, nothing. It's straight.

Mr. Prue: Okay, but are they saying it has some hills?

Ms. Burey: They've stated in their policy to me that these are the reasons, and they said a bus will not stop on a dead-end road, curve or hill. We don't have a hill and we don't have a curve; it's straight. But it is a dead end but it's over two kilometres long.

Mr. Prue: The school board itself is a democratic institution that allows people to come forward, like you're coming forward today. You have been there and the parents have been there?

Ms. Burey: I have been.

Mr. Prue: And they just vote you down? Is that what happens?

Ms. Burey: They tell me, "If you're worried about the bears and the children, you walk to the highway like everybody else in the city walks with their children." I am told to walk with them. We don't walk with them. We put them in our van and we drive to the highway and wait for the bus. My children have to catch the bus at 7:30 in the morning, an hour and a half before school starts. I have complained about that.

Mr. Prue: Go ahead if you have some more.

Ms. Burey: I wanted to say that they were leaving it all up to the Tri-Board Student Transportation Services

officer, Catherine Verreault. Every time I have an issue, I call Mr. Toffanello and Mrs. Fleury. I have called the trustees, and they've said, "We'll send this to Catherine." I say, "You're Catherine's boss. Please do something."

The Chair: We'll move to the government.

Mr. Arthurs: If I can just understand, the broadest base of the issue you're raising is that children in northern Ontario who are being bused should be picked up universally at the ends of their driveways.

Ms. Burey: Who live on rural route roads.

Mr. Arthurs: Who live in northern communities in Ontario or whatever should be picked up at the end of their driveways as a universal policy position.

Ms. Burey: I would like to see that, because who knows who else has to walk out there? My little four-year-old has to walk to the highway to wait for her bus.

Mr. Wilkinson: I would just like to ask a question on background. You were saying that when there was a mother bear and a cub in your driveway—I think that was your testimony—you'd call the police to let them know. Do they respond or don't they?

Ms. Burey: Well, they don't in the country. In the immediate city there have been bears all over, on MacLean Drive and that. But they don't really. They have come out with an issue, but our bears are at our patio doors. My daughter says, "Daddy, what does a little bear look like?" My husband looks outside and says, "That's a big bear." My other son is sitting at the table, doing his homework, and he says, "Mom, look at the bear. It's right at the driveway. It's on its hind legs, growling at the dog." But we can't see our children get on the bus. That's my problem.

Mr. Wilkinson: One other quick question: In the schools here in the north, or in your own children's experience, is bear safety taught in the schools? I know that parents obviously will tell their children, like every other danger. But do you know whether that is happening?

Ms. Burey: I don't think so. No. They have a bear-wise program. I have a copy of it here. They put it in the paper: "Don't feed the bears." But we live in the country. We used to grow vegetables and stuff.

Mr. Wilkinson: But not particularly right in the schools. That bear-wise program is—

Ms. Burey: I don't think so. I haven't heard at all.

Mr. Wilkinson: You're doing a good job.

Ms. Burey: There has been a woman killed out here. I'm just afraid that one of the children is going to be killed, and then everybody is going to say, "Oops, something needs to be changed."

The Chair: Thank you for your presentation.

Ms. Burey: I have copies here that I'm leaving.

The Chair: The clerk will ensure that every committee member gets a copy of that.

PORCUPINE JOINT VENTURE

The Chair: I call on the Porcupine Joint Venture to come forward, please.

Mr. Dave Bucar: Good morning.

The Chair: Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I'd ask you to identify yourself for the purposes of our recording Hansard.

Mr. Bucar: All right. I'd like to thank you for the opportunity. My name is Dave Bucar. I'm the environmental superintendent for the Porcupine Joint Venture. Just to give you some background, Porcupine Joint Venture is managed by Placer Dome, which is a gold mine company in Canada. We have three operating mine sites here in Timmins, and we also have a number of abandoned sites that I manage. We employ over 600 people here in Timmins, as well as all the numerous spinoff jobs to help drive our economy.

What I'd like to do today is just bring up a few issues that we've come across over the last few years, from my perspective, on the environmental legislation and issues we've dealt with. We have had a lot of interaction with a number of the provincial government agencies, so I'd just like to discuss some of my experiences.

The first area I'd like to touch on is permitting for mining. We are just coming up to the end of a three-year process in permitting our Pamour open pit project. Initially, we started back in July 2002 with an abandoned mine we had picked up as part of the purchase of a number of properties. We went through feasibility studies for this project, and along the way, of course, we met with a number of provincial and federal regulators. Obviously, with mining a number of permits are required, environmental assessments. Due to the complexity of the work we're doing, it turned out that we needed two provincial environmental assessments and a federal environmental assessment, as well as a number of individual permits for construction and handling our water.

As a result, we've found there is a number of overlaps in this permitting process, especially in the environmental assessment. We've had some issues in terms of various agencies requiring similar information, or different but—in trying to work together with all the agencies on the provincial and the federal level, there have definitely been some challenges in that respect. As a result, we've found there have been numerous delays to our schedules and our timelines. One of the major issues is that due to the number of decisions that need to be made and approvals required with different ministries at the various levels, it's difficult to have one make a final decision. Everyone is waiting on each other to provide approvals, which ends up in a number of delays.

As a result, what I'd be looking for, and I know there has been a lot of discussion on this, is that there be a one-window approach to permitting, especially for mining, because we do cover a wide range of the various ministries: the Ministry of the Environment, Natural Resources, Northern Development and Mines, Transportation, Labour. We really deal with a lot of agencies, and to coordinate that has been a large effort, which ends up falling on the company. It's just very difficult to coordinate all of that to get timely results.

I know there has been the Mineral Exploration and Mining Ontario bundle website, which tries to provide a lot of information to the mining companies, which is definitely a good start. It does provide links to all the ministry websites. It talks about the legislation required. There has definitely been a lot of effort moving towards getting all the information at one point, but I think it would also be beneficial to have one agency, such as the Ministry of Northern Development and Mines, take that lead and help drive the process in helping the mining company. They definitely have had a lot of help from the various ministries, but I find the coordination has been a bit lacking in some cases.

We also need to have some input from the various ministries on First Nations consultation. We've found there is not a lot of guidance. I know, in talking to the various ministries, that there are not a lot of procedures in place in terms of working with the First Nations communities, especially in an area like Timmins, where there are no First Nations reserves directly in the city but there are numerous communities outside, within a 50- to 100-kilometre radius, and there's a tribal council within the community that tries to help manage their affairs. There doesn't seem to be a set process to work with the First Nations communities and to make a determination of whether or not there are land issues and what have you, so it would definitely be beneficial to get some clarification and guidance on how we can walk through the process. We definitely want to do that. We are very interested in making sure all the stakeholders are taken care of, but without guidance it's difficult to determine what is adequate for our permitting and consultation.

I'll have some recommendations that summarize at the end as well.

1030

The next area is the Ontario abandoned mines rehabilitation funding and, in conjunction, the national orphaned and abandoned mines initiative. I know Mr. Hudak was instrumental in the beginning. In 1999 and 2000, with all the subsidence activities happening here in our community as a result of some abandoned mine sites, there were a lot of issues around public safety. At the time, Kinross Gold bought a number of these abandoned mine sites. In conjunction with an agreement with the Ministry of Northern Development and Mines, we were able to get into a cost-sharing program where we could put funding, in conjunction with the government, into fixing some of these public hazards, so it was a very successful program. And there was the abandoned mines rehabilitation initiative, which provided funding not only in conjunction with ourselves, where there is a lot of public access to the mine sites, but also for some of the other larger abandoned sites such as Kam Kotia. There are a number of others today that are ongoing through rehab programs.

We formed a steering committee with the Ministry of Northern Development and Mines. We've been going through this process for five years, looking at priority areas for public safety, going through risk assessments to

determine where the money should be spent. To date, we've spent about \$7 million between ourselves and MNDM. So it has been a very valuable experience and we have had very good partnerships. We just want to ensure that long term, this is ongoing funding that is available not only to work within our agreement, especially in populated areas, but also for the numerous abandoned sites in Ontario and federally. We usually spend up to about \$1 million-plus a year and would like to see that continued into the future.

It has been very positive. It has shown the public that we are all being responsible. We do appreciate the work with the government. As a result, we're able to reduce the safety risks associated with mining. Ultimately, that will aid us in moving forward on any new projects in giving us social licence to operate in the future.

Also, on the national orphaned and abandoned mines initiative, we're putting together databases of some of these historic sites. We've been open to providing all the information we have available, but I know it is a daunting task. There are over 6,000 abandoned mines in Ontario, plus numerous others in Canada. So it would be good to see continued efforts in funding towards completing this database and putting prioritization on the higher-risk areas to be looked at and the money funnelled through the abandoned mines funding to help fix these problems.

I've also noted recently the brownfields development policy and legislation in place for fixing industrial sites. I'm not sure if there will be an opportunity to look at mine sites as well to be classified as these industrial sites, if they aren't already. I don't have clarification on that. But with the closure of a lot of these mine sites, there are vast areas of land that would become available, potentially, for other uses. We have worked with the city of Timmins to transfer some of this land for development. I know there's talk about a brownfield financial tax incentive program, where taxes can be removed from properties and that money used towards cleaning up some of the problem areas, and the land would then be available to be given to the community for future development, so there may be an opportunity there.

The Chair: You have about a minute left for your presentation.

Mr. Bucar: Okay. Also, recently passed was Bill 133, the environmental penalties bill, or, as it's known in the industry, the spill bill. There are potentially high consequences for mining companies. If there are spills which are uncontrolled, there are very high fines or penalties that can be levied against us. The mining industry and all industry has been focused on, and a number of other areas such as municipalities are being left out. I feel it is a bit unfair for the mining and forestry industry to be singled out with these large fines when, in some cases, we may not have the ability to deal with the enforcement agencies in determining whether or not spills are harmful to the environment. We'd like to see that we're able to work closely with the government in the upcoming months, and there are initiatives in place now to allow us to do that. We just want to make sure the funding is

available to allow industry to be involved when there is a potential for the enforcement penalties to be brought against us.

In terms of recommendations, I believe I've probably covered them all: permitting and working together with the various government agencies, both provincially and federally to try and streamline that process; continuing with the abandoned mines rehabilitation funding; and just working together as we move forward. In the future, I think that will allow us social licence to operate in our communities if we show that we're doing what we can to fix the problems of the past. Thank you.

The Chair: We'll begin the questioning with the NDP.

Mr. Prue: In terms of the funding, has the funding been adequate?

Mr. Bucar: To this point I believe the program has been very successful in terms of the abandoned mines rehab funding. With 6,000 abandoned sites, there's a lot more money required to do that. Without having the database in place to understand where everything is, it's probably not adequate at this point, because we don't have confidence in knowing where all the risks are. But in our case and working in the community, we've been very successful in securing all the abandoned mine sites, so it has been an adequate program.

Mr. Prue: I'm trying to understand. You're here before the budget committee. Usually people come seeking monies or changes in policy so that money is redirected in different ways, and I haven't heard that from you, so I'm trying to get my head around what you really want.

Mr. Bucar: What I'd like to see is the abandoned mines funding continue beyond. It really goes from a year-to-year basis and we're never sure the money is going to be available to continue programs. It's just ensuring that the existing program continues, whether it can be set so there's a set amount of money every year into the future. We just want to make sure it's not going to get cut off at some point before the problem is fixed.

The Chair: Thank you. We'll move to the government.

Ms. Judy Marsales (Hamilton West): Good morning. Thank you for your presentation. Brownfields redevelopment is something that I'm very interested in. You've just triggered a thought with respect to the mining industry and the correlation between these abandoned industrial sites and these abandoned mines. Notwithstanding the tax program that you referenced, have any other ideas or suggestions flowed out of some of your work in that field?

Mr. Bucar: At this point we've really been working toward securing the sites and getting the land back to the point where it is possible to provide back to the community. We've been working with the city of Timmins and the conservation authorities and looking at opportunities for this development, but at this point, being still fairly early on in our process of the rehabilitation works, we haven't gotten to that point yet. We'd like to develop that as we move forward.

Ms. Marsales: The second question: A couple of the other presenters this morning talked about the geological mapping. Could you speak to that as well? One individual suggested that it's very inadequate at the moment. Could you speak to that?

Mr. Bucar: I'm not sure I can talk a lot about the geological mapping, but in terms of information in the database of the abandoned mines, I believe it is at this point inadequate. There are a lot of proposals to move forward on collecting it, but it's going to take time and money to be spent on collecting all the information so these decisions can be made on either rehabilitating high-priority sites or high-risk areas.

1040

The Chair: Thank you. We'll move to Mr. Miller.

Mr. Miller: Thank you, Dave, for your presentation this morning. I guess the first point I'd like to ask about is, you've said that you need help in terms of consultation with First Nations and a set process to help with that. Can you give some suggestions as to how you think that might work: the role that government would play and what sort of process you think might help?

Mr. Bucar: We have been working with the Ministries of Natural Resources and Northern Development and Mines on this. I think everyone is struggling to determine what the process should be. By having one champion of the government to move it forward—if we had one process, whether it be someone in the government to be a liaison person with the various First Nation communities, it would help. I know there is some of that going on right now, but it would be important to have one person focused on that, to be able to interact between industry and the First Nations and set up these guidelines to properly walk through the process so that all the stakeholders' needs are met.

Mr. Miller: Is it mainly for exploration that you're speaking of?

Mr. Bucar: In our case, it may be exploration, but more on development of new mines.

Mr. Miller: Okay. You also mentioned Bill 133 and said you felt it is unfair to the mining sector because other sectors are not treated equally. Can you talk a bit about that, please?

Mr. Bucar: Currently, Bill 133 is focused on the MISA companies, the municipal-industrial strategy for abatement, the companies that are already regulated through the province for our discharges. It seems to be doubling up on the legislation in this case. All of these companies are already being monitored and we already have a lot of legislation in place. We feel that if the existing legislation was enforced—

Mr. Miller: So are you saying that Bill 133 was unnecessary because you already have enough rules?

Mr. Bucar: I believe there are enough. We are very heavily regulated. The mining industry historically has had a pretty poor image. We're definitely highly regulated.

Mr. Miller: Poor image or poor record?

Mr. Bucar: Probably both. But in today's day and age, with the regulations and the mining company under-

standing that we have to perform at a very high level to have the licence to operate in this province, I think we are regulated enough at this point. There isn't enough clarification in this new legislation on how we may be given these environmental penalties for spills which may be out of our control. The incentive not to spill may not be there even with these large fines. It's nice to say that with a fine, we'll do what we can not to spill, but in certain cases it can't be helped or it's not going to give the incentive, or it may drive others just not to report at all, which is against—

Mr. Miller: So the legislation would be counter-productive, is what you're saying, in terms of protecting the environment.

Mr. Bucar: We believe so, yes.

The Chair: Thank you for your presentation.

POVERTY ACTION COALITION OF TIMMINS

The Chair: Would the Poverty Action Coalition of Timmins please come forward? Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I'd ask you to identify yourself for the purposes of our recording Hansard.

Ms. Carol Wilton: Thank you. First of all, I'm here under false pretences. My name is not Carol Witton; it's Carol Wilton. I'm here representing PACT, the Poverty Action Coalition of Timmins. PACT was formed in April 2003. We're supported by many organizations in Timmins that are involved with low-income people. These include food banks, religious organizations and health care providers. Some low-income people also attend our meetings and support our efforts.

PACT's key goal is to help put poverty back on the political agenda. Five years ago, a tragedy in our province prompted reforms to our social assistance system. In August 2001, Kimberly Rogers died pregnant and alone in Sudbury. She had been under house arrest for welfare fraud. Then the present Liberal government was elected in 2003. They responded by reforming the system; for example, they ended the lifetime ban on social assistance for welfare fraud.

These changes are a good first step, but they don't go far enough. Our social assistance system remains in urgent need of reform. Today, I'm going to discuss two aspects of this: first, deplorably low social assistance rates, and second, the practice of clawing back the national child benefit supplement. On the first point, PACT supports an increase in social assistance rates to reflect the actual cost of living. On the second, we support an end to the NCBS clawback for people on social assistance.

As I'm sure other community groups have told you, welfare rates in Ontario were lowered by 22% in 1995, and the situation has worsened since then. The income of people on social assistance has decreased by almost 40%. This is thanks to increases in the costs of rent, food and

utilities. The result? People on welfare are living well below the poverty line; so are people on provincial disability pensions. They literally can't pay the rent and feed the kids.

The social costs of low welfare rates have been recognized within the ranks of the Liberal Party. One of the leading proponents of change is Deb Matthews, parliamentary assistant to the Minister of Community and Social Services. In December 2004 she released a report on social assistance in Ontario. Her view: "...inadequate social supports may result in increased demand on the health care system, the police and justice system, and children's aid societies." Sadly, these were prophetic words.

This was brought home to all of us in Ontario exactly one month ago today. Jane Creba, a 15-year-old student, was shot while shopping in Toronto on Boxing Day. She was the accidental victim of gang warfare. Her shooting has drawn attention to the plight of low-income children in Toronto. Gang warfare, it is said, is partly the product of welfare rates that are far too low. The young men now joining gangs in Toronto grew up after the vicious cuts to social assistance under the Harris government. As one commentator put it, "These are Harris's children."

Within two weeks of Jane Creba's death, Premier McGuinty responded. He announced a \$51-million package for more police, more officers on the street and more prosecutors. But the Premier also promised to go after the root causes of crime. He said, "We need to work, in the long run, to prevent kids from becoming criminals in the first place."

We all know that raising social assistance rates and ending the clawback are not just about crime prevention. It's also about a viable safety net for the most vulnerable in our society. It's about adequate nutrition for Ontario's poorest children. It's about safe and healthy housing for individuals and families. And it's about time.

Let me tell you something about poverty in the north. As you may have noticed this morning, it's colder here than in southern Ontario. This means that the higher costs for fuel and gas are a pressing concern, and with transportation costs, food is more expensive as well. This is especially true on the James Bay coast. In those remote communities, food costs 60% to 70% more than it does here in Timmins.

Another issue in the north is employment rates. In the northeastern region, where Timmins is, the employment rate in November 2005 was only 56%. That means that more than 40% of the population aged 15 and over isn't working. Part of the reason for this, no doubt, is trouble in the lumber industry. It's been hit by a so-called perfect storm of high energy costs, a relatively strong Canadian dollar and lumber export duties. It may be that provincial help for this sector will help things turn around. In the meantime, though, there is a desperate need for a raise in social assistance rates.

1050

By way of illustrating the situation here in the Cochrane district, let me draw your attention to the

handout I've given members of your committee. It's called PACT Facts. The sources are on the back, and the information I'll be talking to is on the front where the black heading is. This was compiled by Timmins nutritionist Craig Orrell, who is a very active supporter of PACT.

The handout examines the finances of a couple with two children, aged nine and 13. Welfare, the child tax benefit and the GST credit together produce an income of about \$1,556 a month, as you can see at the bottom of the income column. Now take a look at the expenses side. I think you'll agree that these expenses are very modest: clothing costs of \$100 a month for a family with two growing children, for example. The budget for food is based on calculations for the Cochrane district prepared by the Porcupine Health Unit.

Our imaginary family is living on about \$18,600 a year. This is approximately 38% below the poverty line in 2001 for families of four in smaller Canadian cities. This family obviously lives with great economy. Still, as the table shows, they fall behind by almost \$340 every month. This means that every year they have a negative balance of more than \$4,000. The result? As a social worker told me last week, "At least one of food, clothing or housing is seriously compromised. Sometimes all three." This situation must not be allowed to continue. It's time for a change.

The second problem I mentioned is the clawback of the national child benefit supplement, or NCBS, from families on social assistance. The NCBS was the idea of the federal government. In 1998, it introduced the NCBS as a way of helping the poorest families in the country. The purpose was to combat child poverty by putting extra money in the hands of parents with the lowest incomes.

In Ontario, if you're not on welfare or a provincial disability pension, the provincial government lets you keep the supplement; otherwise, you don't get it. So about \$200 a month is taken right off the cheques of those on social assistance. PACT thinks it's time to end this discrimination against the poorest and most vulnerable members of our society. The city of Timmins and the district of Cochrane have agreed. In the fall of 2003, PACT addressed both Timmins city council and the Cochrane District Social Services Administration Board. Both unanimously endorsed our resolution calling for an end to the clawback.

It's true that other worthwhile programs are funded from the clawback. Nevertheless, the money that is being clawed back was specifically intended for the benefit of low-income children. Every cent of it should go to them. In the meantime, we urge you to recommend that the province step in and find other sources of support for the programs now funded by the clawback.

People sometimes think that private charity is the answer to low social assistance rates, but food banks aren't the solution. Visitors to the food banks in Timmins get one bag of groceries for each adult once a month. That bag contains bread and whatever canned goods happen to be on hand. How long can anyone survive on

that? It's true that food banks do wonderful work. We wouldn't want to be without them. But they are not the solution to low social assistance rates or the continuation of the clawback.

It's often said that we can't afford to pay more to those on social assistance. But consider this: People on social assistance spend that money, and they spend it where they live. Individuals, families and the broader community are better off. And consider as well the long-run social cost of the present regime: children too hungry to benefit from school, children whose long-term health is in serious jeopardy, and families too demoralized to provide the necessary boost to the next generation. This means spiralling costs for re-education, for health and for crime control. The reality is that we can't afford not to change.

For more than 10 years, this province has radically underfunded the poorest members of society. We know the results: crime, violence and abject poverty. I urge you not to let this situation continue. In 2003, the Liberal Party of Ontario promised to raise social assistance rates. It's time to make good on that promise. In 2003, the Liberals also promised to end the clawback. It's time to make good on that promise too.

Thank you for your attention.

The Chair: Thank you. This round will go to the government first.

Mr. Arthurs: Carol, thank you for the presentation. I'm hoping personally that during the next three, four or five days that we're on the road our list of deputies will also address exactly the same issues so that it gets on the record in multiple communities that we visit throughout Ontario. It's going to be an important part of our deliberations and I hope an important part of the budget considerations that the minister has to consider at the end of the day.

I continue to be interested in learning about the special challenges that are faced in northern Ontario. Being from an urban centre next to Toronto, you have an understanding of your own living environment and not necessarily a full enough understanding of the living environment of those who are remote or those who are in northern Ontario, things like the cost of utilities and heating that are necessary, and more so in the north when it's 20 below, as opposed to zero in Toronto.

Can you just spend another minute or so in the time we have and comment a little more fully, if you could, on those unique challenges that you see for those in poverty in northern Ontario?

Ms. Wilton: I think some of those things I've already talked about in the speech. The fact of cold: Warm clothing is a priority. Fuel costs are very, very high. Costs for food are also high, and the James Bay coast has particular problems in the area of food because it's so remote and transportation costs are so high. Rents are lower here, it's true, but cumulatively these other issues tend to overwhelm people on social assistance in the north.

The Chair: We'll move now to Mr. Barrett.

Mr. Toby Barrett (Haldimand–Norfolk–Brant): Thank you, Carol. I appreciate your being here on behalf of PACT.

The Ontario budget will be tabled in the next several months. You indicated that the previous government had reduced welfare rates by 22%, and there is a linkage. Something like half a million people since then have been able to get off social assistance and welfare. That's separate from people who are on disability.

A number of promises were made by this government. Do you have an expectation that this government would increase the welfare rate by 22%? At present, they haven't. I just wondered if you would comment on that.

Ms. Wilton: I have a hope that the present government will raise social assistance rates, as I said, to reflect the true cost of living. It's true that many people have gotten off the welfare rolls, and some of that reflects people taking on new challenges in the job world. Some of it, of course, also reflects the difficulties of dealing with the social service system. That's something that Deb Matthews's report draws attention to, and that's another area that needs reform urgently. Deb Matthews speaks to employment assistance issues in relation to Ontario Works and the Ontario disability support program.

As I say, the hope of those of us who are interested in the problems of people on social assistance in this province is that the social assistance rates will be raised to reflect the true cost of living so that the poorest members of our society are not constantly overwhelmed by the struggle for adequate nutrition, housing security and a warm coat.

Mr. Barrett: I certainly appreciate your speaking on behalf of many people who cannot or would not feel comfortable speaking, and I also think of people on disability, who obviously have very special needs.

I think it's very important that you've come forward now, because with respect to any infusion of funds—and we've seen, I think, a 2% or 3% increase, certainly not 22%. In many parts of the province, in particular communities that we visit in northern Ontario, that doesn't meet the cost of living. So apart from various studies that are being done, the bottom line is that this is the finance committee and I would hope committee members are making recommendations with respect to funding, in addition to studies, which does roll around every year at budget time.

The Chair: We'll move to Mr. Prue of the NDP.

1100

Mr. Prue: We have heard these same sentiments in Toronto, and I'm sure we're going to hear them as we travel the province. The reality for the poor, for those on social assistance, is that things have got steadily worse. Even under this government, the first budget had a 3% increase, which more or less covered inflation for that year, and last year there was nothing. So they're actually worse off today than they were under the previous government. What do you think an adequate increase to get them back on track, to make up for those eight years, to make up for last year, would be? What kind of per

cent; a 10%, 15% increase? What are you looking for, to be realistic? I'm looking at them because they must be blanching over there.

Ms. Wilton: Well, 10% or 15% would be a very good start. We definitely need to get into the double digits in terms of an increase before we can begin to offer any hope to these people. I think the long-term goal should be higher to go back to restoring those social assistance payments to the point where people can afford a home, they have housing security; people can afford to eat nutritiously so that children aren't jeopardizing their future health; so that people are adequately clothed; so that children can flourish in this society. This is the future of Ontario, and we need a minimum, I would say, 10% to 15% raise as a start.

Mr. Prue: A 10% increase in welfare rates or in social assistance rates, according to the figures we were given today, would be about \$500 million. You're advocating that?

Ms. Wilton: Would you rather spend the money on police—

Mr. Prue: Not me.

Ms. Wilton: —on social services, on flailing around trying to educate people a second or a third or a fourth time, or would you rather get it right the first time?

Mr. Prue: In terms of the clawback, the government promised to end the clawback, but there has been no legislation to do any such thing. We had several groups in Toronto that said, "If you can only do one thing in this budget, end the clawback." Would you say that's the first place, or the welfare rates? I know you want both, and so do I. But if they can only do one thing, what should they do?

Ms. Wilton: They should do whatever is going to put the most money in the hands of people on social assistance. Ending the clawback would make a difference of about \$200 a month per family. If they can do better than that raising the social assistance rates, that's what they should do.

The Chair: Thank you for your presentation.

TEMISKAMING FEDERATION
OF AGRICULTURE

COCHRANE FEDERATION
OF AGRICULTURE

ONTARIO FEDERATION
OF AGRICULTURE

The Chair: I call on the Temiskaming and Cochrane federations of agriculture to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Frank Haasen: Good morning. My name is Frank Haasen. I'm a board member of the Cochrane Federation of Agriculture. This is Darlene Bowen. She is

our Ontario Federation of Agriculture member services representative.

My family and I own and operate a dairy farm here in Timmins. While agriculture in general in Canada and Ontario is experiencing extremely challenging times, those of us who fall under supply-managed commodities—dairy and poultry—enjoy a more stable business environment. Seeing as the Ontario Federation of Agriculture is a general farm organization and we are here on their behalf, my comments refer to agriculture in general and not necessarily reflective of my segment or personal operation.

As an organization that speaks for over 500 family farms in the Cochrane-Temiskaming district, I would like to begin by thanking you for the opportunity to provide input to the process of developing the 2006 budget. I would also like to thank our MPP, Gilles Bisson. Gilles extended a personal invitation to us to attend, and that was much appreciated. With assistance through support programs and infrastructure designed for northern Ontario, agriculture will remain sustainable, providing economic spinoff and much-needed jobs for the north.

Agriculture across this province is in a free fall. The issue is more than just the need for short-term cash. Agricultural production and primary processing add more than \$11 billion to Ontario's economy annually and 650,000 jobs, yet most farmers are in a battle for survival. The main reason for this crisis is that we do not have a long-term plan for agriculture at a provincial or national level. The often-chastised American farm bill and the agricultural revenue stabilization insurance program in Quebec are examples of long-term planning. These plans may not be fair or trade-compliant, but we cannot continue to cry foul and watch our farmers disappear because of them. The reality is that Americans, Europeans and Quebecers are going to do whatever it takes to protect their agricultural sectors for food security and the millions of jobs created by farming. We are going to have to step up to the plate or agriculture as we know it will disappear. It is often quoted that Canada's agricultural sectors can't afford to compete with other countries. It is the opinion of this federation that we cannot afford not to. In the short term, it might be cheaper to import our food and lose the jobs, but in the long term, it will be very costly. It's like renting a house for 30 years instead of buying it.

One of the main culprits is that there is no longer a connection between the value of food in the store and the value of the base product at the farm. The only exception has been supply-managed products. Dairy and poultry farmers still receive a fair share of the consumer dollar. It is time for the government to recognize this deficiency and create a system whereby all commodities receive fair prices for their products. One of the best examples of this problem is the recent BSE crisis. While the prices paid to farmers for beef plummeted to all-time lows, consumers continued to pay high prices for beef products.

We have been asked by our provincial body, the Ontario Federation of Agriculture, to make recommend-

ations that are local, and our definition of "local" is northern Ontario in nature. Following are the issues we'd like to see addressed.

Northern Ontario heritage fund: Although the heritage fund program was reinvented with a lot of fanfare, we have seen almost no benefit. It has not been for lack of trying, but the rigidity of the program seems to be the roadblock. As you are aware, under the old program, funds available to producers could be used at their own discretion, within very specific limits, as long as gross income was increased. In reviewing projects completed for agriculture in northern Ontario, in our estimation it was probably the most successful program ever launched for Temiskaming-Cochrane agriculture.

Recommendation: Review the heritage fund program and consider reallocating agriculture a stronger profile with easier funding access to encourage continued industry growth in agriculture in the north.

Energy costs in the north: One of the biggest hurdles for northern agriculture is the inequity of energy costs compared with southern agricultural regions. The easiest example is, if you drove through Timmins, you saw that gas is \$1.04 or \$1.05 a litre. What would you be paying in Toronto? Our prices for diesel fuel are reflected by the price of gas at the pumps. The problem is compounded by our colder climate, increased distance to markets and higher-than-normal transportation costs for supplies.

Recommendation: The heritage fund should have an accessible energy conservation component for northern business, including farmers. Farmers should identify the biggest energy savings on their operations and could be rebated for improvements that show energy savings. At the same time, the government should be considering programs that would promote energy creation on farms. Biodiesel, methane and wind power are all viable options for alternate energy sources for northern Ontario. None of these ideas are groundbreaking—they aren't even new—but they are feasible here if we had some outside assistance for implementation.

1110

Livestock agriculture in northern Ontario: Consideration needs to be given to the value of livestock agriculture in northern Ontario. The long-term benefits to society are numerous, including fewer odour issues with populated areas, a large rural land base for effective nutrient management, and a good supply of quality groundwater with no competition from urban areas. Unfortunately, high energy costs, high transportation costs and a lack of available markets create low margins for farmers in the north.

Recommendation: The federation believes Ontario needs northern agriculture, but in the short term we need a strong strategy and some assistance to make that strategy work. This is where government programs, not handouts or crisis management, can play a role in sustainability of agriculture in northern Ontario.

Assistance for northern abattoirs: The beef industry is a major player in agriculture throughout northern Ontario. There has been an alarming exodus of abattoirs in

the north over the past 10 years. Legislation and regulation coupled with narrow profit margins in the custom processing business have led to a situation that leaves many producers without a provincial plant to process on-farm product for resale or personal use. Many beef producers have realized increased profits from the family farm through farm-gate beef sales, and the lack of available processing space in local abattoirs is causing them financial hardship. While the federation believes that food safety is a top priority, small plants are being forced out of business by crippling regulations that are not necessarily food safety oriented.

Recommendation: We ask that the provincial government work with the Ontario Cattlemen's Association and the Ontario Independent Meat Packers and Processors to create programs that will assist small abattoir operators in the province, especially in the north. Low-interest loans or a one-time grant incentive need to be considered for operators that need to upgrade to meet regulations where our abattoir services are critical for public safety and animal welfare but are located in areas of low population density dispersed over a large geographic area, such as rural northern Ontario.

That, Mr. Chairman, is our presentation.

The Chair: Thank you. We begin with the official opposition.

Mr. Barrett: Thank you, Frank. I know you're a dairyman, but I'd like to raise the issue of BSE. On election day, the Canadian Food Inspection Agency announced the discovery of another case of BSE and clearly indicated that Canada's stringent testing program is working; that was captured. I think that was a six-year-old animal, and we've got, certainly across Canada, something like 900,000 older cull cows sitting around. We can't move them south. You had mentioned abattoirs, and there is, through the provincial government, money allocated to deal with the cull cow problem. I just wondered if you had any information on that. Is that working for farmers directly, or is it significantly re-directed to help abattoirs? Certainly smaller abattoirs, there's nothing wrong with that. I was just wondering if you could comment on that.

Ms. Darlene Bowen: It has been redirected. The \$6 million has been channelled through the Ontario Cattlemen's Association, and I know they've done some work in that area. We didn't see as much coming into the north, because it was for abattoir upgrades, and we only have about five major—minor abattoirs here that are provincial. We have no federal plants whatsoever. North of Bracebridge there are only five plants all the way up. We have 28,000 head of cattle in the north. That's including everything from dairy right through to the year-old heifers and that type of thing. So it's not a lot of plant capacity, and unfortunately some of the money has not made its way north. It has been more centralized in the south, and the plant operators here—we have an aging population. We have a situation where they are renting and do not own the plants. They haven't had the ability to access that program because they don't own the plants,

so it hasn't come north the same as it has been utilized in the south.

Also, from our point of view, we would like to see a program in place or part of that money come out in the form of a one-time grant or a really low-interest loan for these plants or for other plants to start up. We have some young operators who are interested but don't have the capital to get started. The 900,000 older cows you spoke of could have been easily utilized. A lot of that meat could have been used, especially here in the north, had we had some capacity to process those animals. There is the market for it, because rural people have a tendency to buy in larger quantities; they have freezers and that type of thing. But because we didn't have the capacity, we weren't able to use that. So farmers did lose out on those older animals in terms of dollars.

The Chair: Thank you. The time is expired. We'll move to the NDP.

Mr. Prue: I'm interested in farmers making money from energy: from biodiesel, windmill farms, that kind of thing. Has there been much interest shown; as an example, people trying to put windmill farms on agricultural land in the north?

Ms. Bowen: No, there hasn't been a lot of interest.

Mr. Prue: I don't know of any. There could be some windmills or windmill farms or some development. I certainly don't know of any.

Ms. Bowen: I don't know of any either.

Mr. Prue: In southern Ontario, I am told by farm organizations that the amount of money that farmers in southern Ontario are being offered for their land to put up these windmills is among the lowest in the world, and the farmers are very upset about that. But you've not been offered anything at all, which is even lower than that.

Ms. Bowen: No.

Mr. Haasen: I guess if they can get all the inexpensive land they want close to the major market, the people promoting windmills won't be moving quickly to northern Ontario.

Mr. Prue: It is a very difficult occupation you have, in terms of sustainability in the long term and money, and people are leaving it. You put some recommendations down here. What more can we do than what we're doing?

Ms. Bowen: Develop a long-term strategy for agriculture in Ontario.

Mr. Prue: Is that to convince more and more people that farming is doable? Years ago there was a program, and a book called the Mid-Canada Development Corridor, trying to convince people that we didn't all have to live in southern Ontario, that we could move up and that things were really doable pretty far north. When I was a young man and I first went around Swastika and Haileybury, I was surprised that there were farms that looked that good that far north; I was absolutely shocked. I'm not shocked today, but that was 30 or 40 years ago. Is there land still available that could be developed for better agriculture?

Ms. Bowen: Yes.

Mr. Haasen: There is. On your point about people looking to come into agriculture: Agriculture is like all the primary industries. We're continually doing more with less; we're becoming much more efficient continually. I think agriculture has done as well as anybody, maybe better than anybody, with fewer people producing more food. So numbers aren't the problem. The problem is to make it profitable for the few of us who are left to continue to feed the cities. Farmers feed cities.

Mr. Prue: Absolutely.

1120

The Chair: Thank you. We'll move to the government.

Mrs. Mitchell: Thank you very much for making your presentation today. I just want to remind you that the Premier will be holding the ag summit on February 8. This is the second summit where the Premier himself has come and talked to all the commodities throughout the province. We clearly understand that you do have a few more hurdles to overcome in the north to remain successful, but you certainly have done a very good job to date.

One of the things I wanted to talk to you about was the work we have done on renewables, and will continue to do. I know you are aware that we have introduced the ethanol strategy: the 5% by 2007, moving toward 10%. We also will be coming forward shortly with a biodiesel strategy.

You mentioned methane and wind power. My question to you is, how far advanced is the north in taking a snapshot of the wind patterns? Are you there yet?

Ms. Bowen: We just began that. There's some preliminary work going on in the small community of Temagami. They're doing some work there, and I believe there's some going on just outside of Timmins somewhere. It was written in one of the smaller green magazines that they're doing a bit of wind patterning there, starting to calculate and gather data on it. I do know that Temagami has been up and running for about eight months.

Mrs. Mitchell: That's where we need to start: develop patterns on how wind moves throughout the province. One of the opportunities that I do think is very strong for the north is the creation of the biodiesel strategy. I see that the north can certainly go forward in that. In regard to the methane, we do have one pilot site now within the province.

I want to bring to your attention too the RED program, the rural economic development program. You've made reference to northern heritage, but there is also rural economic development. I believe \$15 million has been put in to help rural economies move forward. That's where the bio-anaerobic digester received part of its funding. I certainly encourage you to look to that as well. We look forward to increasing the capacities for our cattle industry in the north, south, east and west. We know there's much work to do, but we certainly have had some great success stories too, and will continue to work in the north.

The Chair: Thank you for your presentation.

PROSPECTORS AND DEVELOPERS ASSOCIATION OF CANADA

The Chair: I call on the Prospectors and Developers Association of Canada to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning. I would ask you to identify yourself for the purposes of Hansard.

Mr. Brian Polk: Thank you, Mr. Chair. My name is Brian Polk. I'm a prospector around town here. I represent the Prospectors and Developers Association of Canada, the Ontario Prospectors Association and also the Porcupine Prospectors and Developers Association, which I think you heard from this morning.

Thanks for the opportunity. As I said, I'm a prospector around town. I grew up in Timmins, for the most part, and I've seen a lot of changes in our industry over my short life. I have to speak to you about the significance of our industry and some severe challenges that we're facing right now.

Our sector is represented by several organizations: the Porcupine Prospectors and Developers Association, the Ontario Prospectors Association and the PDAC, or Prospectors and Developers Association of Canada. They all have websites, if you want to look for further information. As most of us know, mineral exploration is a global industry in which Canadians are recognized leaders, particularly in Ontario. However, we face competition on all fronts from any other country that has mineral wealth. These investment dollars are very transient and cross borders to wherever they can pull a return. Right now, economic growth in what used to be Third World countries is driving metal prices way up and things are actually quite good. This is expected to continue for a couple of decades, but in my experience we suffer from cycles that are much shorter than decades.

We're blessed with an abundance of mineral wealth. I don't know if you're aware of it, but we're within 10 miles of tens of billions of dollars here in northern Ontario, including the Hollinger mine, the McIntyre mine, the Dome mine and Kidd Creek, which is a world-class base metal producer. Most of those were found by prospectors, I might add. As well, right now diamonds are entering the picture, and they've become very important to the prospector around northern Ontario.

Unfortunately, however, our base metal reserves are being depleted dramatically over time, and we're not replenishing those reserves because we're not finding any new deposits. The goal is really to find some new deposits. These global markets are highly variable and highly cyclical, and we cannot depend on them. We cannot depend on good times every seven years to carry us through three or four bad years. In 1998 through 2000, I personally was starving as a prospector in northern Ontario: no heat, I wore a toque to bed, and so forth and so on. These trends are fickle and can leave local economies in a lurch. If we're going to depend on anybody, we've got to depend on the prospector. He's got the local knowledge. Cycle to cycle, he'll carry the burden of this.

There are lots of issues affecting prospectors. I'm going to get into what I call seed issues a bit later on, but with regard to budgets, we have to support things that support these prospectors. They find the mineral deposits that become the mines. If it's a mine, it makes money; it's a tree. If it's a seed, it can't make any money. That's what these prospectors are: They bring the seeds forth that can develop into trees that, hopefully, will bear some fruit. So we have to harbour these seeds. That's the way we look at it.

There are a lot of things the government can do: support mapping. This is fundamental. The Ontario geological survey provides basic information, basic geological maps. Prospectors use them, junior mining companies use them, senior mining companies use them, everybody uses them. All the associations are in favour of more mapping, more men on the ground making pictures of the rocks. The resident geologist offices are the same thing. They provide access to data, help with the data. We can't do without them.

We're facing a lot of land access issues right now. As it says here, when governments review or set new policies, we would certainly appreciate having input, because we need all the land we can get. We've got lots of issues with regard to land right now. First Nations issues are very prominent, and nobody is working to solve the First Nations issues, as far as we can see. They're thrown into our lap, at our expense, and we can't afford it. We cannot afford it.

Physical issues: In a shrinking world, with multi-use intentions for this land, we come up with the short end of the stick quite often. The MNR is pulling bridges. I know it's because of liability, but that's our access. That's how we get to the place that could host a mine. Who knows? Maybe it won't host a mine, but maybe it will.

Abandoned mines are a serious problem. These are a liability. I have personally written reports for companies. When you say there's an old shaft or an old working on the property, they walk right away. They don't want to have anything to do with it, simply because it's a liability. If you go out there, it might be two feet deep. There are no standards for how dangerous these things are; they haven't been listed as such. They're just a liability. Any support along those lines would definitely be appreciated.

Perhaps the most important thing I have to talk about is investment. Exploration is all risk. It says here "high-risk," but it's all risk. It's a seed. There's no revenue from production. There is no profit in exploration. Profit comes way down the line: That's a mine. Mines have profit, but exploration doesn't have profit, yet we're treated as profit-making entities. It's for this reason that the investment tax credit for exploration was developed, and this is a great thing. Flow-through shares have to be supported through the bad times, through the good times, continuously. I know it's a federal program, but perhaps Ontario could weigh in and help us out in this regard too.

1130

Expansion of the program to include First Nations consultation, environmental work, deep drilling and mine

site exploration are strongly encouraged. Most of these things are in support of mines, which is fine. We need to replenish our reserves in base metals.

Personally, I think Ontario should consider allowing consultation costs as a claim assessment under the Mining Act. At this point, we don't, so the prospector or the junior mining company have to shoulder the burden of these consultations, which can be very expensive. It cost me \$6,000 to fly to Attawapiskat with a couple of guys.

The PDAC has asked the federal government to continue this program, and we certainly would like the Ontario government's support along those lines too.

Those are really the budget issues we're concerned about. Beyond that, I think there are some serious foundational issues that have cropped up over time, and nobody is working to lessen them or even to deal with them. If we're going to survive the next downturn, we've got to do something. This industry is growing old very quickly. I'm in the lower 10th percentile with regard to age of the prospectors' association in Timmins. There might be four or five guys younger than me. The rest are all older, and they're all old-timers. They don't know how to argue, they just do their prospecting job, and they're dying off slowly and surely.

There are a lot of things we could do. We can't budget for this. I don't know why I'm even bringing them up, but somebody has to hear them. That's what I believe.

We've got manpower needs. There's not a person who is willing to go out into the bush any more. Why would you? It's sticks in the eye, it's soaking wet feet, all for no money, no opportunity. The prospector has to face this on a daily basis, only to lose out in the end. If he's the seed, we take it to the seedling stage, which is a junior mining company, and then on to the senior mining company. The prospector has to make a living along the way, yet he's entirely responsible for the risk. Once it's found, it's not a risk any more. It's profit. It's a mine. The prospector takes all the risk. Right now, the way it works is that the prospector brings a property to a junior mining company and the junior mining company is supposed to take on the risk of that property. To some degree it works, but it doesn't develop any new properties. Right now, we're working the same old properties again and again. Because a junior mining company is fiducially responsible to its shareholders, it can't take risks like that. It doesn't want to invest in finding anything new. It wants to invest in developing something that's been found. The prospector, therefore, takes all the risk. So he's stuck undefended, in my experience, and I do have lots of experience with this. I've been burned many times.

That's where we talk about opportunity. Why are prospectors not out on the land any more? Well, there's no opportunity. He takes all the risk. The junior mining company makes all the profits, or ultimately a senior mining company makes all the profit. The prospector is basically left out of it. This is important stuff for northern Ontario. It's obvious. I mean, we don't have a lot of

farms. We don't have a lot of culture. We don't have a lot of anything but mineral wealth, to tell you the truth, and lots of alders. We've got lots of alders.

The Chair: You have about half a minute left in your presentation.

Mr. Polk: OSC reform is a must too. We've got to look at the way that money is raised and money is spent. In my opinion, we get far too much administration and not enough activity on the ground. We've got to streamline these systems. When a company is listed, there are too many accountants and brokers and such a community of people making money off a seed. It's nothing yet. There is no profit there, yet people are harvesting it right from the get-go. There's too much administration in this industry. A prospector is treated like a junior mining company, and he doesn't have a clerical staff to fill out forms for the MNR and the MNDM. A prospector these days needs two briefcases for every packsack, and that's a bad thing.

Protection for the little guy: I just wanted to mention insurance. I heard it come up earlier. Insurance is outrageous. I'm a prospector. I have to equip myself to go out in any condition, so I have two Ski-Doos. I have two trucks, one big one for hauling stuff around. I have a variety of equipment. I can't afford to insure it. I can't afford to insure two Ski-Doos, when I might use one for three days and pay \$600 to insure it. That's just one of many things. There is no protection for the little guy—no protection for the little guy. As a prospector, I've been jilted by junior mining companies and senior mining companies. There are lots of good junior mining companies out there, but there are lots of bad ones too. There's no policing of anything. The Ontario Securities Commission has to offer some kind of policing to protect these prospectors.

In my recommendations, I say, and this is a fact, that true prospectors are endangered. By all the standards of the World Wildlife Federation, we're an endangered species.

These are seeds. The only way to have a viable economy up here is through mining. We have to harbour these seeds.

I think I'm almost out of time, so I'll skip the other paragraph. That's my presentation.

The Chair: Thank you very much. The first question will go to the NDP.

Mr. Prue: You have chosen an admirable, although it does not appear to be terribly profitable, career. Is there any other jurisdiction that you're aware of, any other country, any other place, that treats its prospectors better? Or is this just a worldwide career where you go out into the bush or the jungle or go into some inhabitable—

Mr. Polk: It is worldwide. You know what it depends on? Taxation. I honestly believe this. In other districts, there is not so much taxation, in many forms—physical taxation, income tax—but there's also the taxation of bureaucracy and administrative load.

I work with a world-class explorer, Dr. Charles Fipke. He's discovered diamonds. He can't believe Ontario, the

paperwork and the red tape involved in doing simple exploration. All we're doing is going out there and grabbing a bag of dirt. Really, it shouldn't entail three or four government ministries to do so. We shouldn't have to.

We want to do consultation. We want to do it by the book, but the administrative load is too much. It's killing the individual prospector, and it's certainly a strain on junior mining. Junior mining companies—like I say, Dr. Fipke. He runs a bare, lean machine for exploration, and he can't understand how come there's so much administration that has to be done just to get the job done.

Mr. Prue: Is there more administration here than, say, in the province of Quebec, which is not that far from here?

Mr. Polk: I'm not that familiar with Quebec, but with regard to the rest of Canada, yes, there is more. Ontario has a very mature mining culture here, and as such, I think there's a lot of profit in it. There is a lot of profit in it. I hate to use the term, but there's some degree of entitlement about these riches. If you apply that to the prospector, you're killing the seed. There are no riches at the prospector stage. It's all risk.

The Chair: Thank you. We'll move to the government.

Mr. Wilkinson: Thanks for coming in, Brian. Can I ask you a basic question? How do you make money? A junior pays you, or—

Mr. Polk: You know what? I'm not strictly a pure prospector. I have a geological education, so I work in the exploration industry to try and finance my own adventures. I've done this time and time again.

Even a failure brings a lot of money into the economy here. I started a diamond project up at Attawapiskat, and so far there's been \$17 million spent on those claims we staked. So it's huge money, and so far, it's a failure. But I make money off deals like that, making a deal with a mining company. You get stock for some of your efforts. These days, I've almost given up on prospecting, to tell you the truth. I've been burned in fundamental ways. I'm tempted to just work in the industry, which is a fleeting thing too, because there is going to be a downturn.

Mr. Wilkinson: What are the skill sets? You're saying it's really an aging avocation and that older guys are getting out of it, that there aren't young guys like you getting into it. Is there training?

Mr. Polk: Do you know what the number one skill set is? Being able to go out into the bush day after day and suffer the sticks in your eye and the soakers and the mosquitoes. It's incessant. If I had to do it all over again, I probably would have gone for an office job somewhere for the same money. Unfortunately, I have a passion for it, which is probably a curse, to some degree.

With regard to a skill set, really, we're desperate in this industry just to get guys who are willing to go out into the bush. It's such a variable skill set: small motor repair, bush craft, geology, geochemistry, geosciences in general. With regard to the prospector, not only does he have to be acute in the bush and know his mineralogy,

but now he has to be good at filling out forms. If you've got 100 guys who are great in the bush, maybe only 50 of them are good at filling out forms, so the other 50 are gone.

The Chair: We'll move to the opposition.

Mr. Miller: Thank you very much, Brian, for your presentation. Red tape seems to have come through fairly strongly as being a challenge. Have you got suggestions for how government can make it easier for you as a prospector in terms of lessening the burden of red tape?

Mr. Polk: I would say that securities reform has a lot to do with it. The red tape comes from all sides, but securities reform and a streamlining of these small companies or prospectors—like I say, the prospector is treated like a junior mining company. Because he holds claims—junior mining companies hold claims—he's held to the same responsibilities for those claims as a junior mining company. That entails filling out forms for all the claims, applying assessment on all the claims—lots and lots of paperwork. That's just the ministry side of things, dealing with the MNR work permits to go on the land and so forth. It should be streamlined. I think people just have to look at it as if we're a seed. We're not a tree. We don't have any fruit to give. All we have are high hopes, really, and you can't tax high hopes.

Mr. Miller: Your one point, "allow consultation costs as allowable mining expenses": Is that consultations with First Nations?

Mr. Polk: With First Nations, yes, absolutely. That's the crux of it. I've been very active in the James Bay lowlands and around Attawapiskat in the diamond fields up there. It costs a lot of money to consult with First Nations and you get no credit for it. It's not allowable under the federal program.

Mr. Miller: Just so I understand what you're speaking about, is this allowable mining expenses so that it helps you stake claims or bring them to patented status?

Mr. Polk: In order to work effectively up there, you have to consult with the First Nations just basically on a good neighbour policy. Those expenses, which can really add up, are not applicable to keeping the claims, and at this point, they're not applicable federally.

Mr. Miller: So that's a fairly simple change, then, that would really benefit you.

Mr. Polk: Absolutely, in a big way.

The Chair: Thank you for your presentation.

Mr. Polk: Thanks for your time.

The Chair: For the committee, our 11:40 presentation has cancelled. We will recess until 1:20.

The committee recessed from 1144 to 1320.

TIMMINS CHAMBER OF COMMERCE

The Chair: The standing committee on finance and economic affairs will please come to order. Our first presenter for the afternoon is the Timmins Chamber of Commerce. Please come forward. Good afternoon.

Mr. Tom Laughren: Good afternoon. On behalf of the Timmins Chamber of Commerce, I would like to

thank you people for coming to Timmins and doing this, for giving us the opportunity.

I have to apologize. My cohort, Keitha Robson, the chamber manager, should be here, but we had a meeting that I just snuck out of. She will be here shortly and I will have copies of our presentation for you. I apologize for that.

The Chair: I just remind you that you have 10 minutes for your presentation and there could be up to 10 minutes of questioning following that. You may begin.

Mr. Laughren: The Timmins Chamber of Commerce represents a broad spectrum of the Timmins business community—commercial, industrial and professional—representing over 535 large and small businesses in the city. Since its incorporation in 1949, the chamber has been recognized as the voice of business for this community. The chamber is proactive in voicing our members' concerns with respect to local, provincial and federal government policy while actively addressing educational, civic, social and economic issues. It is in that role that we wish to address you today.

This submission provides an overview of a number of areas of interest for the Timmins Chamber of Commerce and its membership. Some priorities of the Timmins Chamber are as follows: taxation and program spending; investment and infrastructure; energy plan; education and training.

I'll start with taxation and program spending. The Timmins chamber urges a continued balanced budget and deficit repayment plan. Any decisions regarding taxation and program spending must be made with this in mind. The chamber would prefer to see tax reductions rather than new programs putting dollars back into the hands of businesses. In many cases, the difficulty in accessing a program outweighs its benefits. An example of this would be the MEDT manufacturing incentive, that is, apply for 10% in less than 30 days. We contend that targeted tax reductions and incentives are much simpler, more efficient ways of achieving desired outcomes than creating new programs with their associated bureaucracy and overheads. Two examples of targeted tax incentives that we would support are flow-through shares or some alternative exploration initiative and a lower tax rate for businesses located in northern Ontario. We recommend that no new spending programs be introduced and that any new initiatives must be financed with a reallocation of current monies.

We support the recommendations in the Ontario Chamber's report *Fairness in Confederation—Fiscal Imbalance: A Roadmap to Recovery*, and encourage the provincial government to continue to pursue remedies to the fiscal imbalance.

We would remind the provincial government that an imbalance also exists between the provincial and municipal levels of government. Over the last number of years, one of the provincial strategies has been to down-load certain costs and responsibilities to the municipalities. Provincial taxes reduce while municipal taxes increase. As has been said many times, there is only one

taxpayer. Each level of government must have the capacity to deliver its responsibilities—no more; no less.

Investment and infrastructure: Living in northern Ontario, transportation and communications are an essential need. The Timmins chamber would like to thank the government for their proactive approach to highway safety and the addition of passing lanes on many of the highways that surround our city.

Increased truck traffic through downtown Timmins has demonstrated the need for an alternative route in our city. We need provincial assistance, in partnership with our municipality, in this effort. I'm sure that today you will more than likely hear that from the mayor.

As discussed in the taxation and program spending section, funding available to municipalities has not kept pace with their responsibilities. Of particular concern to the Timmins chamber are the increasing requirements for the cost of producing water. The local government simply does not have the funds to do what is required without substantial increases in municipal taxes or water rates. This community is a perfect example of that, with our tax increases over the last two years being an average of between 6% and 7% and our water rates having gone up \$150 per household.

The health status of people in this part of northeastern Ontario, in fact in all of northern Ontario, is very poor, based on research, and there are significant gaps in health services. An example would be primary care practitioners, family physicians and nurse practitioners, as well as medical and surgical specialists and other health care professionals to deal with an aging population at high risk for a number of diseases.

We understand that the Ontario Ministry of Health and Long-Term Care is restructuring and integrating health care through the new Northeast Local Health Integration Network. However, it is important that needed resources are invested now in underserved and geographically challenged north and not just provided to squeaky wheels in large urban areas in the south that have many health care provider alternatives and choices, who we in the north consider somewhat overserved when we compare how little we have in many of our communities to deal with significant health issues.

Some examples of this: The East End Health Clinic, which was started by Northern College in partnership with some government money in South Porcupine, is trying to stay afloat financially, and they care for 1,100 patients at this point in time; a shortage of community support services and long-term-care beds to support our elderly population in Timmins and referring communities; no cardiac rehabilitation program in Timmins, though we have a high incidence of cardiac disease; no rehabilitation beds in Timmins, though we have a high incidence of accidents and strokes.

Energy plan: Our local economy is dependent on mining and forestry. Both industries are high energy consumers. Current high energy costs relative to neighbouring provinces are putting these industries at a competitive disadvantage. We need reliable, affordable

and sustainable energy. While we recognize that this is a hugely complex issue, we have some recommendations.

The nuclear option has proven to be an expensive failure. A better alternative, in our opinion, would be to keep the coal-fired plants open and invest in better scrubbers and clean coal technology. Energy conservation programs are also an untapped opportunity that we believe have far better cost benefits than the nuclear option. We continue to support energy deregulation, which was brought in by the province.

Education and training: Employment opportunities exist in our region. However, without a university in our community our youth are migrating for their education and are not returning home. Industry needs training programs to work with the underemployed and those not in the existing workforce. How do we engage these people living in our community, train them and add to our available labour pool? The province needs to take an active role in supporting business to fill the skills and labour shortages. If I may very quickly, I can give you examples of that. We have a new Home Depot and Canadian Tire coming to our community that are going to create 500 new jobs. De Beers is going to be starting the construction of their mining operation up in Attawapiskat and will be looking for 600 people. We have an unemployment rate in this community right now of 5.9%, which tells me we're definitely going to have a skills shortage in this community. We need some help to address that.

In conclusion, the decisions made by government often tend to leave the north feeling left out, rejected and unaffected by change. Northern Ontario needs to have a larger voice and more consideration. Our contributions to the economic prosperity of this province are numerous, and we deserve to be consulted on the economic roadmap for the entire province.

The Timmins chamber appreciates this opportunity to present our recommendations to the standing committee on finance and economic affairs. It is the hope of the chamber that these recommendations will assist you in your pre-budget deliberations. Again, I thank you for the opportunity.

The Chair: Thank you. This rotation will begin with the government.

Ms. Marsales: Good afternoon. As the past president of the Hamilton and District Chamber of Commerce, I thank you for welcoming us to Timmins. It's wonderful to be here.

I'm very interested in a couple of the things you were saying, particularly around the downloading of services. Could you give me sort of an encapsulated version of how that's affected Timmins?

1330

Mr. Laughren: In my past life I was a councillor for 10 years here; I didn't run the last time. One of the big issues for Timmins, when you talk about downloading—there are a couple. One is that we were downloaded almost 90 kilometres of highway with very little capital money to do anything with. The municipality has never

had the ability to put money away for future capital on those highways. They've managed to build the maintenance of those highways—sanding, salting, regular maintenance—into their budgets. That's part of your increased tax costs.

The other big one that I would throw out at you today is the fact of the downloading of the ambulance service to the local DSSABs. The funding formula was supposed to be 50-50. It's probably more like 40-60. Wait times for money, dealing with the ministry, is very tough and it's going to put a major strain on the DSSAB's budget this year, which then reflects back to the local municipalities who are part of it. Those would be two that I would throw out to you.

Ms. Marsales: Thank you very much. I appreciate that.

The Chair: We'll move to the official opposition.

Mr. Miller: Thank you, Tom, for your presentation this morning. I'm going to share my time with Mr. Hudak, so I'll be brief. You first of all mentioned that you'd like to see continued balanced budgets. I'd like to correct that and say that currently we don't have a balanced budget in the province of Ontario, at least for the next year or two, depending on what the government does.

You stated that you'd like to see targeted tax reductions, and you gave the example of flow-through shares. We had a presenter earlier this morning who said that currently Ontario has a 5% rate. What sort of percentage would you like to see? We were told in Quebec it's 50%.

Mr. Laughren: To be honest, the mining industry in Ontario right now is probably on a high because of the price of base metals, the price of gold. But there are obvious expenses on the other side, such as the rising Canadian dollar against the American dollar. To be competitive, we at least have to look at what Quebec is offering their exploration companies. I believe it's an important business not only to northern Ontario but to the economy of the province, and with the feds kind of pulling out of the extra money they were throwing at free-flow shares for the junior mining companies and that, it's definitely going to be an issue.

Along with that, if I may, we have a Discover Abitibi project that was partnered by the province, different municipalities, the federal government and local mining businesses. We need money to be able to do the next phases of those projects. There has been a lot of success in the first two, but if we don't have the money to do the next two, the first set of money will be lost.

Mr. Miller: I'm probably using too much time, but do you have any particular ideas on how you would structure a lower tax rate for businesses in northern Ontario?

Mr. Laughren: You have four million people projected to come into the GTA over the next 20 years. I look at the opportunities and the land we have in northern Ontario, the infrastructure we have, and the decline in our population. The federal and provincial governments definitely have to look at that. I mean, you're talking

about four million extra people drinking water, sewage going into the same lakes that they're drinking water out of, you're eating up the best farmland we have in Canada. Somebody has to shake their head and say, "Hey, what's going on here?"

Mr. Miller: So the north can be the solution to a lot of the south's problems.

Mr. Laughren: Well, when you look at the mining operations and that here, you know.

Mr. Miller: Thank you.

The Chair: We'll move now to the NDP.

Mr. Prue: Thank you very much. You started off your presentation by talking about the need for tax reductions, and then you went from there and talked about a balanced budget, which it isn't; it's about \$1.4 billion in the hole. Then you went on to talk about the necessity of uploading services from the municipalities, which right now is about \$3 billion that has been unfairly downloaded. The way I look at it, they need \$1.4 billion. If they upload, it's another \$3 billion, which is \$4.4 billion, and you want a balanced budget and you want tax reductions. Can you tell me how we can accomplish that? You're asking all over the place.

Mr. Laughren: When we talked about the tax reductions, reference was made to the fact that the government does offer different types of programs. We used the MEDT as an example of that. We feel that the business community would be better served by a reduction in taxes versus those programs. We feel they're very hard to access. A lot of small businesses do not have the resources to be able to access those. So that's kind of the train we were coming on there. We're not saying reduce taxes—we're talking about reducing the incentives the government is giving. The grow bonds, as an example, for northern Ontario: I believe that was a failure because it was poorly, poorly advertised by the government. I know from the chamber it was something we had originally pushed for, but they're very difficult to access and they don't do business a lot of good at the end of the day.

The municipal downloading is something that—again, there's only one taxpayer. We can talk about downloading all we want, but at the end of the day, somebody's got to pay for that, and right now it's municipal taxpayers. If you look at the water situation as an example, for a plant here in Timmins it really never had any problems up to this point. When I was on council, we used to make money off our water here, at much lower rates, do capital work. Now it doesn't make enough money to cover the operational or the capital. So there are definitely some issues.

Mr. Prue: One of the things you said, about no new programs or program money: We had a woman here this morning, very spirited, talking about poverty in Timmins and the impossibility for people at the lower end to make ends meet, particularly those on welfare, with the clawback. Would you expect that those monies would stay the same; that is, continue—

Mr. Laughren: From a social assistance perspective?

Mr. Prue: Yes.

Mr. Laughren: Again, my experience in that has been that back when the Conservative government was in power, a lot of people fell off the map when it came to social assistance. Even though there were many, many gains—I believe the workfare program was a really excellent program and one I used in my capacity on other boards—there's definitely something missing there. I'm not sure what it is. I wouldn't be able to give you an answer on that. But the cost of living, hydro and everything else has gone up for these people too, so I think it's something that would definitely have to be looked at.

The Chair: Thank you for your presentation.

Mr. Laughren: I will make sure you people have copies, and we thank you.

The Chair: If you could give that to the clerk, we'd appreciate it.

UNITED STEELWORKERS

The Chair: United Steelworkers, Local 1-2995, would you please come forward. Good afternoon.

Mr. Roger Falconer: Good afternoon, Mr. Chairman. First of all, I am not Guy Bourgouin, the president of the local union.

Mr. Wilkinson: You don't sound like him.

Mr. Falconer: No. And I must apologize to the translators that I don't speak either official language of Canada.

The Chair: I would remind you that you have 10 minutes for your presentation, and there may be up to 10 minutes of questioning. You may begin.

Mr. Falconer: I would like to thank the standing committee on finance and economic affairs for the opportunity to present the Steelworkers' perspective on the budget challenges facing Ontario. I am going to focus my comments on the issues facing a particular sector: the forest industry.

My name is Roger Falconer. I head up the organizing and strategic campaigns department in our union's Canadian national office in Toronto. The Steelworkers is now the largest and most diverse union in the country. We represent Canadian workers from coast to coast to coast and in every sector of the Canadian economy. Our union is made up of workers from forestry, lumber, pulp and paper, mining, trucking, health care, security, financial institutions like banks and credit unions, as well as from the steel and manufacturing industries, for which we are best known.

Since the Steelworkers merged in 2004 with the Industrial, Wood and Allied Workers, and in 2005 with the Paper, Allied-Industrial, Chemical and Energy Workers International Union, our union has become the largest and most powerful union for forestry, wood and paper workers in all of North America. We represent over 175,000 of those workers.

On February 2, this committee will hear from the United Steelworkers' Wayne Fraser, who is our union's director for Ontario and Atlantic Canada. He will be

addressing our union's perspective on a full range of issues facing this standing committee.

Today I want to focus my comments specifically on the crisis facing the forest industry in northern Ontario. Of most concern is the threat posed to the viability of northern Ontario communities. It's not just jobs that are at risk here; it is the future economic health of many of those communities.

1340

This crisis has clear causes. The province has the ability to affect the outcome, provided that the province has the political will to act, and to act immediately. In fact, the existence of this crisis is well known and has been much discussed. What we have been missing so far is action. I am here today to say that action is required, and is required now.

First, the forest industry crisis is in part an energy policy crisis. Until the province admits this, we aren't going to find effective solutions. Energy costs are skyrocketing in northern Ontario, and this is totally out of line with energy production costs and usage patterns here in northern Ontario. What I mean is that the price problem is not made in northern Ontario, although the effects are certainly felt here; the problem is made south of here and is a result, in part, of a provincial energy policy.

Second, there is the issue of increasing delivery costs of fibre. That is, the cost of getting wood from more and more distant forests to the sawmills and pulp and paper plants is increasingly becoming impractical. This is a transportation issue; it's about the cost of fuel and of building roads. Targeted fuel tax breaks for deliveries to mills and increased attention to the necessary road construction are just two of the ways that the government can intervene to offset this issue.

Third, we need to ensure that the natural resources of northern Ontario benefit the people of northern Ontario. This means local management, local job creation and local economic benefits. Too often, we see that large forest corporations care only about their bottom line and that they show little commitment towards the local communities from which they draw these resources. When times are tough, it's not unusual to see a forestry giant turn its back on workers and walk away from the community. We need to guarantee local involvement not only after the fact, but right from the start. It's important but insufficient to involve the community only after a large number of layoffs and ask them then about their retraining and retirement needs. The community needs to be empowered to take proactive responsibility for their own economic and social health, and the province can act to ensure that this is the case.

But we also want to say that this, importantly, is not strictly a capital problem. We find it odd that the province's response has been to treat the forest industry crisis as if it were simply a result of not enough investment capital. What's happening is that the costs are spiralling out of control for particular reasons. What the Ontario government needs to do is to address these

reasons. Instead, the Ontario government has offered loan guarantees to struggling forest companies, but the forest companies do not need more debt. That is only going to push them further into trouble and will do nothing to protect the workers and the community members in the long term.

The Ontario government states that its \$350-million loan guarantee program for the forest industry aims to provide a positive investment climate and to increase "competitiveness." Well, if this is the goal, then the province just hasn't figured it out yet. These loans are designed to fix the part that isn't broken. In other words, it is not the best use of the provincial budget. The forest companies do not need a lecture in investing, in cogeneration or in striving to be competitive; these things are already understood. Ontario mills are some of the most modern mills in North America. The technology is already there; the productive workers are already there. It's not our plants that can't compete in Ontario; it's the cost of electricity here that can't compete.

Offering these loans and doing nothing else fails to go to the root of the problem. Sure, loans might benefit some particular company; they might even keep a place or two running longer than they would have without the loan. But the loans do absolutely nothing to address the rising costs of electricity and of delivering fibre to the mills. The loans just delay the inevitable.

One of our friends in the Ontario Parliament, Gilles Bisson from this riding, was right on the money when he explained the misguided nature of the government's loan guarantee program solution. He said it was like going to the bank with a maxed-out Visa card, and the bank's solution is to offer you MasterCard. This does nothing to address the problem of how you got into debt in the first place; it just throws you further into debt. The problem persists and you still end up going broke; it just takes a bit longer. But we cannot afford to just put off the problem.

The forest industry is vital not only to the future of northern Ontario workers and their communities, but also to the Ontario economy as a whole. It's a \$19-billion-a-year industry. It is second only to the auto industry in terms of its province-wide economic impact. Forestry is behind \$8 billion worth of contributions to Ontario's balance of trade. It is thought to support 275,000 good-paying jobs, directly and indirectly, throughout not just northern Ontario but southern Ontario as well when you include equipment and service suppliers, producers, planners and so on. Mill closures threaten to cut deep into the Ontario economy.

If this government wants to act, then it needs to take responsibility for the energy crisis. The previous Conservative government set the wheels of this crisis in motion by aggressively pursuing the privatization and deregulation of hydroelectricity. The problems we see now are the result of turning energy policy over to the rule of the market. Energy policy could work to target development, it could support industry, it could empower communities or provide competitive advantages. But

currently, in Ontario, it does not. Instead, the Conservative Party energy policy in Ontario insists that energy be priced and supplied at the whim of the market. The current combination of pool prices and peak power prices does not work for northern Ontario.

Even though we produce our own energy in the north, it has to serve the overall market, and southern Ontario drives that market. That means energy ends up costing us two or three times what it actually costs to produce here. You might have a mill just down the way from a generation facility, yet the increase in the number of smog days in Toronto means the province-wide price is marked up so high above production costs that the mill can no longer afford the locally generated power. This seems counterintuitive. But that's how the province-wide market pricing scheme, which is so sensitive to supply issues, plays out for northern Ontario.

The energy problem is a Mike Harris legacy. What will this government do about it? Privatizing and deregulating hydroelectricity was a bad idea, and the resulting cost to Ontarians has been huge. It is time that industry—and the forestry industry is just a leading example—stops having to shoulder so much of the burden of the Conservatives' misguided energy policies. We might not be having blackouts lately, but the new electricity market is breaking the back of northern Ontario industry. We are hoping that what the Liberals do now is finally admit that the energy policy is the problem and fix what is really broken.

The Chair: Excuse me, you have about a minute left in your presentation.

Mr. Falconer: Okay. Let me summarize, because it's easy to summarize. We have two issues. The two issues are power—the cost of power, not the supply of power—and the cost of fibre that's delivered to the mills.

What we need the government to do is to act now. We need some action right away. So far, the government has misdiagnosed the problem. The real root of the problem is the provincial electricity policy.

The loan guarantees and other programs that talk about enhancing forest industry competitiveness are off base and inadequate. This province needs a plan to bring back fair energy pricing to northern Ontario industry and to find meaningful ways to tie forestry wealth to forestry communities.

Thank you for this opportunity to speak to you on behalf of the Steelworkers union.

You will also find attached to this the seven-point program that we've put out as a response to the 26 recommendations that were given by the province. There was a minister's committee on competitiveness. They had 26 recommendations, and this is our counter-proposal to those.

The Chair: This round of questioning will begin with the official opposition.

Mr. Barrett: Very briefly, over the last two days we've certainly heard about the problems with the cost of, more specifically, electricity with respect to energy-intensive manufacturing. Next year, other than one plant,

the coal-burning generating stations will be shut down, including Thunder Bay and Atikokan. Any comments on that? Does that play at all in your concerns with the increasing price of electricity?

1350

Mr. Falconer: If there was an easy solution to this problem, I'm sure somebody would have come up with it by now. Quite frankly, our position on Atikokan is that it should remain open. It doesn't substantially contribute to the emissions problem in southern Ontario. The smog days and stuff like that are not affected at all by the Atikokan plant. Our position is to keep it open until some alternative is found to replenish that system.

Let me just talk about northwestern Ontario very, very briefly. The problem in northwestern Ontario is that they actually have a surplus of energy. That energy could be used in southern Ontario to reduce the supply problem. The problem is that there's no bridge between northwestern Ontario and the southern users. If there were something that this government would look at—expand the bridge there to allow energy that's produced at no cost, which goes unused, in some instances, in northwestern Ontario, to be used in southern Ontario to reduce the impact of pricing overall.

The other thing is that there may be some way of splitting the system up to provide for regional, community-based power companies that would have some way of producing power locally, as opposed to what it is in the province right now.

Mr. Hudak: Thanks for the presentation. Hopefully it's not true, but we're just getting potentially disturbing news out of Thunder Bay that Bowater had announced it's closing its plant—

Mr. Falconer: And Tembec is meeting today.

Mr. Hudak: Tembec is meeting today?

Mr. Falconer: Tembec has their annual general meeting today in Montreal, and the word around is that there's going to be more consolidation of pulp mills, which means that there will be closures.

Mr. Hudak: So that's terrible news about Bowater, and potentially bad news about Tembec. How many more mills in the north are currently in jeopardy?

Mr. Falconer: Our estimation is that there are about 13 mills on the brink of closure if the government doesn't act quickly to do something about this crisis.

Mr. Hudak: How soon is too late? The budget will probably be sometime in the spring.

Mr. Falconer: We would prefer to have action now, if this budget committee can have some influence in the government's overall program. We've had many, many meetings with the minister responsible for the forest industry, for natural resources. We've expressed to him our desire to have something done immediately, and I mean next week. We're not talking about something that's going to last a long time. Thank you very much.

The Chair: No, we—

Interjection: You haven't got away yet.

Mr. Falconer: Unfortunately.

The Chair: We go to Mr. Prue of the NDP.

Mr. Prue: I just had a chance to look at the seven-point counterproposal, because we have heard from others what you said today. The regionally based timber allocation system was sort of the policy and the law in Ontario up until very recently. I understand that that policy has been sidestepped and that some of the timber is going to mills in Quebec, even. How and why should we bring it back? I think it's self-evident, because local people should have access to local products and to local jobs in it, but how do we bring it back?

Mr. Falconer: There was a system in place where there was trade between mills, because in one community you have one mill, and in another community you have another mill. What we're not looking at is putting one mill out of business simply because of the other one.

There used to be a trading system that if this mill ran a certain species of tree better than this mill, this mill would sell its allocation to there, and they would trade so as to balance it out, so that both communities benefited from the forest itself. There was a change in policy. What has ultimately taken place is that the forestry companies make those determinations about where the wood will go, and the Minister of Natural Resources has the responsibility to oversee that.

It has become evident that they don't take the community's needs into consideration when they do this analysis. It's basically taking the company saying, "We need the production, we need the wood there, so we're going to sell the fibre to this plant." The case that you used was that there's much more wood sent to Quebec now than there was previously. That's because the forestry companies can get from the government, through the Minister of Natural Resources, permission to do that.

Mr. Prue: You also talk about the effective mill closure review process. I understand your position, and I think it's everybody's in this room, that we not close them.

Mr. Falconer: Absolutely.

Mr. Prue: But you have said that the company should discuss alternatives to shutdowns with local community leaders. I don't remember a single company ever having sat down with the community and talked about this before we heard the bad news on the airwaves or saw it in the paper. I think about Tembec, Bowater and other announcements that are going to be made. Should companies be forced to give advance notice before shutting down a mill?

Mr. Falconer: Absolutely. We're looking for ways to keep the mill open. We want to find alternative buyers. I'll give you a classic example of this. In northwestern Ontario, in the town of Kenora, there is a pulp mill that is owned by Abitibi. The Whiskey Jack forest up there is one of the richest in North America, never mind Ontario. It's incredibly rich. They have the timber rights for that forest. Originally the timber rights were tied to that mill. They're no longer tied to that mill. The company just wants to have its way. They want to be able to have the same amount of fibre that they had the licence for when they were running the mill so they can take that fibre and ship it somewhere else.

We know that mill is a viable mill. It has a very good workforce; it has a very good customer base. There are a whole bunch of reasons why it should stay open. We want Abitibi to sell it, but Abitibi says they're not going to sell it. There's no process in place where the workers and the community can go to the company and discuss these things prior to the company making a corporate decision in Montreal that effectively guts a community like Kenora. That's our problem. We want the communities and the workers in those communities to have an opportunity to discuss alternatives to closure, and if there is no alternative but to close that mill, then what can we do to make sure the community survives, what can we do to make sure the community is going to be using those resources in another way that benefits the people of those communities? That's what we're talking about when we say that.

The Chair: We'll move to the government.

Mr. Wilkinson: Thanks, Roger. It's good seeing you again. I want to have a discussion with you about some testimony we got yesterday. One forestry company, Weyerhaeuser, came to see us. We've heard consistently from a lot of different deputants that the energy price is the problem and that's what the government should focus on. Their testimony was—I think they used the analogy of the mining industry, which of course has the same resource base but is at the top of the cycle right now in regard to its commodity price, and is faced with the same challenges in energy. Of course, it's not a problem because they have a high commodity price. It's affecting their profit, but it's not affecting their viability.

Mr. Dedo's testimony was that fundamentally their problem is not energy; it's the fibre cost because of added regulation. He said they used to have forest management programs that were this big and now are 14 binders, and the downloading of the roads, which used to be paid for but are now their responsibility. All those things are making them uncompetitive. They have the resources—excellent, world leading forestry resources—just like the mines have minerals here, but they can't get at them. He said that if they could get at them and you dealt with that problem, then they would be profitable and energy would be something they could invest in for conservation and cogeneration. But he said that, fundamentally, if they can't get fibre at a good cost, they can't deal with this other thing. You've really focused on energy, but could you give us your take on that fundamental economic problem?

Mr. Falconer: Having the opportunity to talk to the committee, you've only got 10 minutes to get the message out. So the message we wanted to give you was that if there's one thing you can fix, if there's one thing you should take a look at that will have an immediate impact on these 13 mills that are on the brink, if there's one way to save them, it would be the energy costs.

Mr. Wilkinson: In the short term.

Mr. Falconer: In the short term.

But let me be absolutely blunt that delivered fibre costs in Ontario are the highest in North America—no

question about it—and that's something this government has to think about. The 26 recommendations that are referred to talk about taking back the cost of building roads and taking back some of the things that were downloaded on companies to try to help them. I understand that that's one of the issues.

The other issues are outside of provincial jurisdiction. One of the main ones is currency rates between the US and Canada, a big problem for these companies. When there was a 60-cent dollar, they were making money and could offset some of these other costs we're talking about now. That's a federal problem that we have to talk to the federal government about. The federal government has to wrap its head around its dollar policy, because it really affects resource-based industries.

1400

The other thing that's hitting hard is the trade regime between Canada and the US. We sell primarily to the United States, and in one instance, softwood lumber, which everybody talks about, we've been taking a real hit because of the duties. Again, it's a federal matter; it's not a matter for the provincial government. But when it comes to talking about delivered wood costs, there's no question that that's one of the issues that has to be addressed by this government.

The message we're trying to get to the government of Ontario is that the crisis is so deep that something has to happen immediately. We need to have discussions on roads and delivered fibre costs, but if we don't do something immediately about the high cost of electricity that's being paid by these companies, they won't be around to have the other discussions.

The Chair: Thank you for your presentation.

TIMMINS ECONOMIC DEVELOPMENT CORP.

The Chair: Would the Timmins Economic Development Corp. please come forward? You have 10 minutes for your presentation, and there could be up to 10 minutes of questioning following that. You may begin.

Mr. Victor Power: My name is Vic Power. I'm the mayor of the city of Timmins and a member of the board of the Timmins Economic Development Corp.

On behalf of the council of the corporation of the city of Timmins, I would like to thank you for the opportunity to provide this committee with information during pre-budget consultations, especially about the concerns and issues facing the city of Timmins.

One thing I'm not going to talk about today is the energy issue. I've just returned from Sault Ste. Marie, where the mayors of Thunder Bay, Sudbury, Sault Ste. Marie, North Bay and Timmins had a meeting regarding hydro rates and how they are impacting on our industries in northern Ontario. I'm sure you're going to be hearing a lot more from us on that in the coming weeks, so today's presentation will be confined to predictable and stable revenue for municipalities, the financial impact of transferred provincial highways to the city, the need for long-

term-care beds, the Ontario municipal partnership fund and land ambulance services.

The city of Timmins believes Ontario's municipalities must have adequate, predictable and stable revenue that reflects the true cost of funding local municipal priorities. All municipalities, regardless of their size or location, face fiscal challenges. New funding plans must be implemented through co-operation with the federal and provincial governments to provide political autonomy and revenue-raising flexibility. Municipalities are left far too reliant on property tax, a poor alternative since it tends to lag population growth and has only an indirect connection to economic activity.

Municipal revenues are not keeping up with the cost of living, let alone service responsibilities. The city of Timmins understands the province's fiscal challenges, but Timmins has been facing similar pressures for years. Sustainable solutions must be found to address the growing fiscal imbalance. We've been hearing about that fiscal imbalance at the federal-provincial level, and of course we're hearing it here as well. Limited municipal revenues are proving inadequate for municipalities to meet the burgeoning local responsibilities for such areas as health services, social services, public transportation, waste management, water purification, public safety and roads.

In terms of health and social service programs, AMO has identified a \$3-billion municipal fiscal gap, which we agree needs to be addressed. We urge the province to reduce its reliance on \$3 billion a year of municipal property tax revenue. We also urge the provincial government to work with the federal government to ensure that Ontario's municipalities have the authority, autonomy and revenue necessary to fix their infrastructure.

Northern communities require the resources to build, renew and enhance their basic infrastructure. This would maintain the quality of life that is necessary to generate jobs and investment in local economies. A guarantee of provincial government funding for infrastructure for years to come will allow municipalities to make long-term plans to upgrade the existing infrastructure within their cities. A commitment by the federal government for continued funding will be a huge step toward achieving sustainability for the city of Timmins. In addition, the city of Timmins would not want to see any federal funding provided to municipalities offset by reduced provincial transfers. These new federal initiatives should not proceed without provincial agreements that there will be no clawbacks on provincial funds that help municipalities.

Municipalities have been downloaded the responsibility to maintain former provincial highways. The cost of maintaining local roadways and former provincial highways and bridges is now funded through property taxes. The city of Timmins believes there is a need to study the ability of municipalities to fund and manage responsibilities that have been downloaded to them, such as provincial highways.

We're providing here a summary of the provincial highways that were transferred to the city of Timmins.

On the next page, you'll see that the total cost of snow-plowing, sanding and salting the transferred highways was \$1.4 million in 2002, \$1.1 million in 2003, \$1.2 million in 2004 and \$1.4 million in 2005. For comparison, the following table indicates what was transferred to the five largest municipalities in northern Ontario. As you can see, Timmins received the lion's share. The city of Timmins is currently maintaining these highways but cannot afford to assume the annual estimated \$4 million for capital construction, upgrading and maintenance costs without major increases in municipal taxes.

The situation is compounded by the fact that for the past seven years no capital construction improvements have been completed on the 87 kilometres of transferred provincial highways, other than those on the connecting link highways. The condition of some of the transferred highways is reaching a level of critical concern to the city. We are particularly concerned about the safety of our residents as well as of visitors to the city travelling on these transferred provincial highways. As a matter of fact, we've had fatalities recently, and that's not a pretty picture.

The city of Timmins does not have the financial resources required to reconstruct the transferred provincial highways to a level that would ensure the continued safety of the public. For example, MTO provided \$1 million in 1997 for the maintenance of transferred highways for a period of three years. By the end of 1998, these funds were expended. Since then, all road maintenance has been completed and paid for by the city of Timmins. The same issue applies to the bridges that are located on the transferred highways.

The city of Timmins is also requesting financial support from the Ministry of Health for an additional 32 long-term-care beds at the Golden Manor, our long-term-care facility. The Cochrane district has 635 long-term-care beds scattered among 10 facilities located in seven communities dispersed in a land area of 141,000 square kilometres. Not only is the population scattered, but there are additional factors which affect seniors, such as lack of community-based supports or alternate affordable housing options. These factors include and provide rationale for the extreme demand for long-term-care facilities within the city.

The distance between long-term-care facilities poses a unique challenge to the placement of residents across the vast catchment area of the district of Cochrane. The community care access centre must balance bed availability from a systems perspective, while keeping in mind the human aspect of ensuring that residents are placed in close proximity to family and friends. At times, loved ones are placed at a considerable distance from their community, and this has been especially evident in the city of Timmins within the last number of months. To put that in perspective, just imagine that you were living in Timmins and you had parents who were placed in a long-term-care facility in Iroquois Falls or Kapuskasing. Do you really think that that's a realistic way of looking after our seniors? I think we all know the answer to that.

1410

The city of Timmins has been actively pursuing the provincial government to increase the number of long-term-care beds at Golden Manor. Our city is still in crisis, and it's time to take a long look at the needs of our aging and vulnerable citizens. We must address funding shortfalls, not only in the provision of additional long-term-care beds, but also community resources to allow seniors to remain in their own homes for as long a period as possible, thereby reducing the current pressures on our local hospital and community services.

In addition, many of our seniors do not have family doctors, and there is no mechanism in place when someone enters the emergency ward and is discharged into the community. Follow-up with respect to the frail elderly is virtually non-existent.

There is no doubt that the lack of human and physical resources for long-term care has created a crisis in Timmins. The need for rehab beds at our district hospital is essential, and it is inappropriate to have an acute care facility providing long-term-care crisis beds. The demand for some long-term-care facilities far exceeds that of others. Golden Manor is the facility of first choice for 70% of clients awaiting placement within the district. There is an inequity in the ratio of beds to population within the district. The city of Timmins accounts for 51% of the total district population and for 46.0% of the long-term-care bed complement for the entire district. Equity in bed-to-population ratios for the communities in the Cochrane district would necessitate a 32-bed increase to the current complement for the city of Timmins. Presently, Golden Manor home for the aged has a waiting list of 90 people, and this has been the average over the last number of years.

The city of Timmins is also requesting that the provincial government ensure the stability of the Ontario municipal partnership fund. This new funding mechanism, which was introduced in March 2005, includes a phase-in strategy to ensure stability in municipal revenues. However, the recent October update of the 2005 OMPF allocation notice appears to indicate that the phase-in strategy does not apply to adjusted 2005 OMPF allocations. We would respectfully suggest that annual OMPF allocations should all be subject to a reasonable phase-in strategy.

In addition, in order to reduce the provincial reliance on municipal property tax revenues to fund health and social services, we would suggest that the social program grant portions of the partnership formula be adjusted annually in order to reduce the reliance on property tax revenues. Specifically, we would suggest a phase-out over five years of the 0.2% tax rate used to fund social program costs.

The province of Ontario should also consider, during its pre-budget consultation, the financial pressures exerted on municipalities through the provision of land ambulance services. It is recognized that land ambulance services are essential and an integral part of the province's health care delivery system. In addition, the cost of

land ambulance is directly related to unilateral decisions made by the Ministry of Health and Long-Term Care as related to educational requirements, service standards and health care delivery strategy. Since land ambulance services were downloaded to the district social services administration boards in the year 2000, the cost sharing of land ambulance has changed dramatically. Originally, land ambulance services were funded at a 50-50 split, but provincial funding levels have been drastically reduced whereby the cost-sharing arrangement of 50-50 is no longer applicable. At the present time, land ambulance services are split 61% municipal, 39% provincial. The refusal of the Ministry of Health and Long-Term Care to fund—

The Chair: You have about a minute left.

Mr. Power: Okay, very good—50% of the program by ignoring obvious cost pressures in the program, particularly in wages, has changed the funding dynamics to the cost-sharing agreement, with the municipalities paying the larger share.

The rest of that section relates to the same topic.

I would like to thank the members of the committee for providing this opportunity to present our issues and concerns during these pre-budget consultations, which we feel are of the utmost importance to the city of Timmins.

I neglected to introduce our city treasurer, Mr. Ross Troop, who has joined me for this presentation. I would be pleased to answer any questions that members of the committee may have.

The Chair: Thank you. We begin this round of questioning with the NDP and Mr. Prue.

Mr. Prue: Thank you very much. You've spent a great deal of time on this, but the downloaded services to municipalities across the province—and these do not even include the highways. The big ones are: child care, social assistance, social housing, ambulance service and public health. They run some \$3 billion, and that's all of the municipalities. Have you given any thought to what would be best for your municipality if they were to be uploaded, in what order you might do, because I doubt very much they're going to take on \$3 billion in one budget?

Mr. Power: I don't quite get what you mean.

Mr. Prue: If some of these services are to be uploaded, which ones should be taken off the municipal tax burden first?

Mr. Power: Certainly land ambulance, for starters.

Mr. Prue: That's one of the small ones, though.

Mr. Power: What were the other ones you mentioned?

Mr. Prue: There's childcare, which costs the municipalities \$193 million; social assistance, which is \$1.3 billion; social housing, which is nearly a billion; ambulance, \$312 million; public health, \$266 million.

Mr. Power: If you could get social assistance and land ambulance off our backs, we'd be in much better shape. But our problem is—I referred in the presentation to revenues. As you know, all we really have is the property tax from our own end.

But you know, at the end of 2004—and I'm not talking about base metals now, and I'm not talking about forestry products—the city of Timmins had produced 66 million ounces of gold. Multiply that by \$560, and that's a lot of loonies. What I'm saying is, we should get a slice. I'm not saying it should be added to, but whatever mineral taxes are paid by the large companies in northern Ontario, we should be getting a slice of that, because to produce that kind of wealth and then go through the financial tribulations that we go through just doesn't seem right.

Mr. Prue: Absolutely. I don't have a question, but I did promise that I would do this. For those who were expecting Gilles Bisson, he cannot attend. Unfortunately his mother was called in to surgery in Toronto, and he has had to fly there. He sends his regrets, and he wishes he could be here but obviously cannot.

The Chair: Thank you. Now we'll move to the government.

Mr. Arthurs: Your Worship, thank you for the hospitality that Timmins has extended to us during our stay. As a former municipal politician—I was the mayor of Pickering for quite a while—I can share the pain that's occurred over a number of years.

I'm pleased to hear you comment on the land ambulance issue. Do you know offhand, or does your treasurer know offhand, what your land ambulance costs currently are, roughly, and what the cost might be to get back to the 50-50 agreement that was struck initially? Any idea?

Mr. Power: The city of Timmins pays 55% of the local DSSAB because we have 55% of the assessment. I know we were going over those figures just recently. I don't know the exact figure, but I know we're paying \$700,000 more than we had ever dreamed of paying, and \$700,000 is almost a 2% tax rate increase at the municipal level.

Mr. Arthurs: All right. That certainly drives home, when you're asked to prioritize which item, if you had to pick—where you would start is one that one can readily identify as well.

Mr. Power: The reason for that, Mr. Arthurs, is something a lot of people wouldn't realize if they don't live here. Land ambulance in a district the size of the district of Cochrane is a very expensive proposition. People in the small communities deserve an ambulance when required, but you can realize that it's very expensive to provide ambulance services not just to every small municipality but to remote locations in the bush. That's what's driving up our land ambulance costs, and we pay 55% of that.

Mr. Arthurs: I was noting as well that when the new Ontario municipal partnership fund came into play, Timmins was a benefactor compared to the old CRF funding.

Mr. Powers: Yes.

1420

Mr. Arthurs: I think if one added in the provincial portion of the gas tax to this point, it would be about a \$2-million enhancement over the old program, so I

presume, from that standpoint at least, you are happy with the OMPF funding, as compared to the former CRF funding.

Mr. Powers: We did very well in 2005, but as our treasurer can tell you, we're being reduced by an amount of \$1.2 million for 2006. They think they overpaid us. Mind you, they didn't take it back, but there's \$1.2 million that we're not getting in 2006.

Mr. Arthurs: On the go-forward plan that exists, then—and I don't have those numbers—as you look forward to the 2008-09 time frame, will your numbers be reduced, or is it stable?

Mr. Powers: I would defer to the treasurer on that one. Would the numbers be reduced in 2008-09?

Mr. Ross Troop: Ultimately, it depends on what our costs are in 2008-09, specifically in terms of the social program costs. If they increase, our funding is going to go up; if they decrease, our funding will go down. One of our concerns, and the reason for the suggestion in the document that future OMPF reductions be phased out, is the fact that we were a beneficiary of the new OMPF fund, we did receive a substantial increase, but again, it's based on incorrect information in the provincial formula. It was a windfall for one year, but if it disappears entirely next year, then we'll have the problem that we've relied on that funding in 2005 and it will be gone for the 2006 budget issue.

Mr. Arthurs: I think you also recommended that the social-service-related costs at the very least, in the OMPH funding, be tied to inflationary factors as well, at least that portion?

Mr. Power: Yes, certainly.

Mr. Arthurs: Thank you.

Mr. Barrett: Thank you, Mayor Power, for the presentation on behalf of the city of Timmins. You were describing the need for another 32 long-term-care beds at Golden Manor, and obviously there's quite a bit of pressure. It sounds like most people want to go there, out of the 10 facilities across a very, very broad region.

Mr. Power: That's right.

Mr. Barrett: Certainly in 2003, across Ontario, we saw a major request for proposal and expansion of long-term-care beds, many of them opening right now. The buildings, the new facilities, have been constructed.

Mr. Power: Yes.

Mr. Barrett: How did the region do during that time?

Mr. Power: To my knowledge, the region hasn't gained any long-term-care beds over quite a number of years now. Timmins is the place that's looking for them—

Mr. Barrett: It didn't get any in 2003?

Mr. Power: —because we're actually sending them, as I say, to distant communities, because they can accommodate them. But it's a very awkward situation when you have a city in the centre of the district sending to municipalities quite a distance away. It's hard to explain that to bean counters.

Mr. Barrett: You explained it here. I just wondered, during that request-for-proposal period, did the area not apply for any long-term—

Mr. Power: Look, I'm not telling any tales out of school. We've been trying to get meetings with the Minister of Health for I can't tell you how long on this issue. We just can't even get a meeting right now.

Mr. Barrett: So the whole area missed that opportunity.

Mr. Power: I wasn't in office in 2001, 2002, 2003, so I don't know what they did in 2003, but I know that in 2004, 2005 and 2006, we've been pressing this.

Mr. Barrett: Yes, because certainly so much of Ontario is cutting ribbons and opening brand new 32-unit—

Mr. Power: They can do that ceremony with us any time. We'd be pleased to help them out.

Mr. Barrett: That's regrettable, if you did miss the boat on that opportunity.

Mr. Power: To my knowledge, we didn't miss the boat on that, because I know that in 2004, 2005 and even in 2006, we've been trying to get meetings with the Minister of Health on this issue. Frankly, it doesn't seem to be going anywhere.

The Chair: Thank you for your presentation this afternoon.

Mr. Power: Thank you, Mr. Hoy. We appreciate your coming to Timmins.

STROVAN ENTERPRISES

The Chair: Now I would call on Strovan Enterprises to come forward.

A request has been made by the next deputant requesting privacy. In order to do that, we would have to go into closed session. In that we are a public hearing, we would require—

Mr. Arthurs: I move to go into closed session.

The Chair: Any discussion?

Mr. Prue: I don't want to be difficult, but this was intended to be a public session. I don't know what is going to be said that requires it to go into closed session, but it has to be strong, it has to be compelling and it has to meet the requirements of making government secret. It's just not normally done. Without knowing what it is, I just can't vote for it without knowing that it meets all of those requirements.

Mr. Hudak: Chair, correct me if I'm wrong, but I think the request was for a non-media session. Am I mistaken?

Ms. Laura Laraman: I'm fine with non-media.

Mr. Hudak: With no media, but are you okay with people who are in the back?

Ms. Laraman: That's fine.

The Chair: Yes, that was originally the request; however, under our rules, we would have to go into closed session, I am advised. We can't exclude one group from another.

Mr. Hudak: Maybe voluntarily—the issue we're dealing with is one of victim's rights. I think we all understand that if somebody has gone through the traumatizing experience that our next deputant has gone

through, I think we would respect her request to do so without media in the room. Maybe that will just work itself out.

Mr. Prue: I do not see any media in the room.

The Chair: Further debate?

Mrs. Mitchell: In my opinion, if you are going to exclude the media, then you have to go into a closed session. You take your chances that the media doesn't show up, but just excluding the media does not negate that it is a public meeting, and therefore the media would be privy to the information that was discussed.

The Chair: Further debate?

Mr. Prue: I still have no explanation why this needs to go into private session. Before any government board, body or hearing goes into private session, there has to be a statement of why, and I have not heard that.

The Chair: Further debate?

Mr. Arthurs: I'm going to support, obviously, the motion I put forward. Might I suggest that we move to closed session and that the deputant would then have the opportunity very briefly to provide us with an explanation as to why she has made the request. If the committee didn't feel that it was substantive enough, a motion to move back into open session, I presume, would be in order at that point in time. Mr. Prue's queries, then, could be responded to, although it would be done after we'd moved into closed session.

Mr. Prue: I don't mind hearing in closed session what the reasons are.

The Chair: So you're calling for a closed session for an explanation, to be clear.

Mr. Arthurs: And then if there is a subsequent motion, I think we'd have to entertain that. If we were satisfied, then we would just proceed in closed session, obviously.

The Chair: Further debate?

Mr. Barrett: I am concerned, though, that these have been advertised as public hearings. I've been explaining to people to come forward. These are public hearings and we are dealing with taxpayers' money. That's my concern.

Mr. Hudak: Maybe, Chair, if we could have the vote on Mr. Arthurs's motion to go into closed session to discuss closed session.

Mrs. Mitchell: When was the request made to go into closed session?

The Chair: Just in the last few moments. Well, no, to be clear and fair, the request was made that the press not be here, but I'm advised by the clerk that under our rules, in order to do that, we have to go into closed session. Now Mr. Arthurs is moving that we go into closed session only to ascertain a reason for the request.

Ms. Mitchell: So there was no request made at the time this date was agreed upon by the presenters.

The Chair: Not that I'm aware of.

Interruption.

The Chair: I'm sorry; you can't be part of the debate. Further debate?

Mr. Hudak: My understanding is that the individual who is about to present has a story of a victimization from a crime and wanted to make a presentation to the committee about the importance of supporting victims. I wasn't aware that there would be press in the room while making the presentation, and that's where the concern is. We could further discuss this if Mr. Arthurs's motion passes a vote.

Mrs. Mitchell: My concern is that when we vote on whether to go into closed session or not—time will tell; we'll see how the vote goes. But it's my understanding that if that vote is carried, they will be allowed to speak and then we vote again—or we just continue on?

Mr. Arthurs: It would be my view that if the motion carries and the explanation is satisfactory to committee, there wouldn't be a motion to move out of the closed session. If any member felt it wasn't satisfactory, they would probably want to move a motion that we move back into open session.

The Chair: Are the members ready to vote? All in favour? Opposed? Carried. Now, the committee will move into closed session.

The committee continued in closed session from 1432 to 1438.

TIMMINS POLICE SERVICE

The Chair: I call the next witness to come forward. I'll just remind you that you have 10 minutes for your presentation and there may be up to 10 minutes of questioning following that. I'd ask you to identify yourself for the purposes of Hansard.

Mr. Richard Laperriere: It's a pleasure to be here. My name is Richard Laperriere. I'm chief of police for the city of Timmins.

Pressures in policing are mounting. Changing government values, debt, expenditures, expanding demands and rising policing costs are impacting policing in the city of Timmins. The issues on service delivery, ability to pay and ongoing downloading of traditional provincial responsibilities have had a real impact on how we do business.

The passage of regulation 3/99 under the Police Services Act clearly establishes minimum service standards for all police services across Ontario, including standards in areas such as crime prevention, law enforcement and the implementation of public order. In 1997, the Police Services Act was amended and municipalities are now responsible for providing court security in those premises located in the municipalities. This has created a situation whereby the citizens of this municipality are paying the full cost, thus subsidizing those municipalities in our catchment area.

The cost of prisoner transportation is an ongoing issue. We are required to transport prisoners to facilities outside of our jurisdiction. These facilities are dispersed in key community areas hundreds of kilometres away. Witness/accused statements are now required to be video-taped. Many of these statements are required to be sworn

to and transcribed. Special investigation practices, disclosure and charter issues, search warrants, FOI inquiries, trials and case law are again areas that are labour-intensive, and they do tie up a great deal of resources.

That's the challenge that was placed in policing in the province of Ontario. I can tell you, the Timmins Police Service came forward in regard to meeting those challenges and in being cost-effective and efficient. When I say that, we had to find solutions to it. I am proud to say that we have created some partnerships that were in fact cost-effective and efficient, and I'll give you some examples of those.

We created a partnership with the Ministry of Health. We think it's a good partnership. We now dispatch fire and police for the city of Timmins, and we dispatch ambulance for the Highway 11 corridor. There were some efficiencies there, so that is a good thing.

We also created a partnership with the fire department in the city of Timmins, again for dispatching of fire calls. I can tell you that we're rather unique. We now dispatch fire calls for the municipality of Iroquois Falls. We did that to save costs and try to meet the demands that were placed on us by the government of the day. I think we are moving forward.

Some of the demands that were placed by the government are very positive, and I'm proud of them. But I can tell you, some of them have to be reviewed. You have to question yourselves with regard to some of the demands being placed on policing.

We've met most of them. The area where we have a major problem is infrastructure. When I say that, we have a responsibility to provide services not only to victims but also to complainants. They have to be safe and secure when they come into our facility. You expect that, and you demand that. That's the challenge that I've been facing for the last 20 years. When the regulations came out, I was mandated to do certain things, but to be honest with you, I don't have the space, I don't have the facilities to meet that challenge. It's been very, very difficult to get funding.

At this present time, there's really no funding for police when it comes to infrastructure. That has to be addressed. I'm not saying here today that I expect the government of the day to pay the full cost of that, but let's be a partner in relationship to that problem, because it can be addressed. It will be a structure that will be up there for the next 25 to 30 years. It'll give me the tools to provide those services to the citizens and the taxpayers of this city. I think that's being efficient and cost-effective.

We've done our part. We've created as many partnerships as we could. The one I'm looking forward to creating is the one with the government in regard to how we address infrastructure. I know it's a real challenge, but I think it can be addressed. That's why we're bringing this forward. I thank you for the time.

The Chair: Thank you. We begin this round of questioning with the government.

Mr. Arthurs: Chief, welcome. Talk to me just a little bit more, if you would, about the challenges of prisoner

security, court security and/or prisoner transport. I think you referenced that in some cases you're transporting prisoners hundreds of kilometres. I'm not familiar with the physical infrastructure to deal with prisoners, deal with the courts. What kind of distance are we talking about? What locations are we talking about? I know it's a big issue where I come from in Durham region, but Durham region is not northern Ontario either.

Mr. Laperrrière: No, it's not, but I can tell you that all we have in the city of Timmins is a holding facility. We have nothing in place at the present time in regard to young offenders or adults. We transport prisoners to southern Ontario. We transport them to Sudbury. We do it on a regular basis. I have some real concerns and issues in regard to the winter months. We are the ones travelling Highway 144 on a regular basis. That concerns me. I have some real concerns in regard to my staff when they're on that piece of highway in the wintertime. We go throughout the province. We go to Sault Ste. Marie.

What I can tell you, though, is that there have been some partnerships created in southern Ontario whereby the Ontario Provincial Police and London Police Service have gotten together. They've pooled their resources. They've gotten some assistance from the government whereby they've identified special constables to do all prisoner transportation. I think that is a viable option. But we've got to create those partnerships, and we've got to get some direction in regard to going down that road, because there are some efficiencies. We are not the only police service in northern Ontario. The OPP is here also. We've got to get some direction and some guidance in regard to what can be provided and what can be shared. As far as I'm concerned, I think we can do that with special constables. They are doing it in southern Ontario. It's just to move it forward.

Mr. Arthurs: What kind of demands are there if you have to transport to either the Soo or somewhere in southern Ontario? What's the staff complement you have to send with a prisoner or prisoners, and what kind of time frame, then, would those folks be away from Timmins, where they would otherwise be providing service? Would it require them in some instances to even stay overnight simply because of the distances, or is it generally a one-day turnaround trip for them?

Mr. Laperrrière: I can tell you that Sudbury is one day. Sault Ste. Marie is two days. It has to be in reference to our collective agreement. Anything over 325 kilometres, basically it's a stay over. Southern Ontario is more than one day. The only one that's one day is Sudbury.

Mr. Arthurs: You normally send how many officers?

Mr. Laperrrière: Two officers. Again, it's depending on the number of prisoners you're dealing with. It also depends on whether you're dealing with adult prisoners, young offenders or female prisoners. That's also in the mix. You may have two officers going to southern Ontario. You may have two going to North Bay, depending on the circumstances. I can tell you that each and every day we are on the highway.

The Chair: Thank you. We'll move now to the official opposition.

Mr. Hudak: Chief, thank you very much for your presentation. Some of the issues that have dominated the media and often, therefore, government policy have been gun violence, drug trade and biker gangs. To what extent are they manifesting themselves in the Timmins area, and do you get the provincial support that you need in those areas?

Mr. Laperrrière: I can tell you that the 1,000 police officers were a godsend. It was great news for the city of Timmins. We were fortunate enough to get five officers. One was clearly identified for the drug unit.

Do we have issues in regard to biker gangs? Yes, we do. Is Hells Angels here? Yes. They do not reside here, but this is the corridor for northeastern Ontario. I'm being very honest here. That was a serious issue. I can also tell you that we were part of a major project last year. It was Project Calvet out of QPP and the RCMP in Quebec. Some of those drugs were clearly identified as being from Timmins, to be moved out through the Highway 11 corridor. So there is that presence. They're not here on a regular basis, but it is a real concern for the citizens of Timmins, and we did get some funding in regard to an officer to try to address that.

We also got two officers for community patrols, and that's important to me and to our organization. So there has been some assistance there. That's why I said in my opening remarks that there have been some things put in place that are very positive, good news.

I can also tell you that the chiefs of police for northern Ontario did in fact make a presentation to the government in regard to the 1,000 police officers. We truly believe that we were unique. Our challenges were somewhat different than southern Ontario. They saw merit in that and the funding formula was a little bit different. That was a very positive thing.

1450

Mr. Hudak: The province of Quebec, as I recall, made some changes to their laws in order to combat biker gangs and crime that relate to that. Do Ontario laws need to be changed to facilitate police activity in shutting down the biker gangs, or are you satisfied with the legal framework?

Mr. Laperrrière: I would think we need more teeth in regard to the proceeds of crime. We need more flexibility there. I can tell you that when we deal with wiretaps, private interceptions, we need a little more authority in reference to the new technology. So I think you have to look at that and bring something forward in regard to that.

The Chair: We'll move to Mr. Prue of the NDP.

Mr. Prue: My questions are all financial. You appear at this point to be on the juncture, at least, of having sufficient officers and staff.

Mr. Laperrrière: Correct.

Mr. Prue: What you were talking about was a little obtuse and I can understand the reasons, but you require, I would assume, additional funding in order to do the

long-haul transfers of prisoners and safety issues. Are you asking that this committee recommend to the finance minister that there be additional funding in the budget for police forces for those, or are you saying that we should perhaps direct the municipality that they should find the funding? I'm not sure where that asking is going.

Mr. Laperriere: I'm asking that the provincial government has to find funding in regard to infrastructure. When I say that, we have some challenges in regard to what we're mandated to do. I'll give you an example: victim referral services. They do have a budget, but they're the first one to ask us, "We need space in your office." I don't have the space. I don't have the money for it. They don't have the money for it. It's a funding issue.

All I'm saying is that there is a possibility to create another partnership there with them, and it is a good fit for us. We can do things together. They do provide a valuable service, but their budget is limited. I think we have to create those partnerships. We have to look at those and say, is it viable? Does it work for the police agency? Does it work for victims? If it does, yes, they should be housed in our building. That's one example. But I don't have the infrastructure to do it. I don't have the money to do it. I can do it. The regulations, our core competencies, our core police functions, to meet those demands—I don't have the office space to do it. We're doing it, we're meeting it, but we're sharing office space. There's no privacy. That has to be addressed somehow. To be very honest with you, I see no way of going to the taxpayer and saying, "We need more money for this." Costs are rising.

I think the only solution is, we have to create these partnerships and there has to be some mechanism in place where, if the government feels that it is viable and a good option and it has merit in the partnerships that we've created, there should be some funding there for it.

Give me the opportunity to present a business case to you. If you see merit in it, I'm saying let's create that partnership and help me out. That's all I'm saying here. Let's be a full partner.

The Chair: Thank you for your presentation.

ONTARIO ENDOVASCULAR ANEURYSM WORKING GROUP

The Chair: Will the Ontario Endovascular Aneurysm Working Group please come forward. Good afternoon. You have 10 minutes for your presentation—I think you've been in the room for some time now—and there could be up to 10 minutes of questioning. I would ask you to identify yourself for the purposes of Hansard.

Dr. Rod Willoughby: Thank you. My name is Dr. Willoughby. I'm a vascular surgeon from Sudbury. I'm here today to reinforce to you the importance of endovascular aneurysm repair for the citizens of Ontario.

I'd like to preface my talk by first stating that endovascular aneurysm repair, or EVAR, has been on the government radar for a number of years now. In 2002, the

Ministry of Health, through a health technology assessment, concluded that endovascular aneurysm repair is likely to be a very important treatment option for high-risk patients with aortic aneurysmal disease.

Accordingly, the Ontario Health Technology Advisory Committee initiated a two-year field clinical study through the London Health Sciences Centre that began in 2003, and patient enrolment was completed in the spring of 2005. In July 2005, an interim report was prepared and some of the information on my talk comes from this interim report. Obviously, it is readily available to all of you on your own website.

As we go through my talk, I will touch upon four things: I will review the importance of aortic aneurysmal disease; discuss the role EVAR plays in the treatment of this disease; I will touch upon the economics of EVAR; and finally conclude with the importance of government support for this worthwhile endeavour.

The aorta is the largest artery in the body. It arises from the heart. After it delivers branches to the head and the arms, it travels down the back of the thorax or chest. After it crosses through the diaphragm, it delivers branches to the bowels and kidneys and, after that, continues for another 15 centimetres before dividing into the major arteries for the legs.

An aneurysm is defined as a diseased, weakened, dilated segment of artery. Its cause is multifactorial, but includes things such as advancing age, genetics, smoking and high blood pressure. This is a common disease after the age of 50, afflicting a significant proportion of males and a smaller proportion of females.

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Aneurysms may occur either in the thoracic segment of the aorta or, much more commonly, in the abdominal segment of the aorta. With time, the diameter of these aneurysms increases and, untreated, the aneurysm ultimately bursts or ruptures. Aneurysmal disease presently represents the 10th leading cause of death amongst males and is truly a preventable cause of death in most.

The best long-term survival opportunity for patients with aneurysmal disease is to repair the aneurysms electively before they break. There are two means of doing that: either open surgical repair or by using endovascular techniques.

Concerning open surgical repair for abdominal aneurysms, this was first conducted successfully in 1951. It involves and requires a long abdominal incision. Blood flow through the aorta must be temporarily stopped with the use of clamps. We then replace the diseased artery by sewing in a fabric graft. This operation delivers significant stress to cardiac, pulmonary and renal, or kidney, function.

There is an associated death rate with this operation, or perioperative mortality. This really relates to the underlying health of the individual. Perioperative mortality can be expected to be less than 2% in low-risk people, about 5% in moderate-risk individuals and 10% to 15%, or even greater, in high-risk individuals. Regarding open surgical repair for thoracic aneurysms, this

is an even larger operation and delivers enormous stress to the cardiac, pulmonary and renal systems, such that perioperative mortality in the best-risk individuals is 10% to 15%. In addition, there is a significant incidence of paralysis with open repair of thoracic aneurysms.

Endovascular aneurysm repair was first conducted in 1991. This procedure requires considerable training and surgical expertise to deliver safely to patients. It has been available in Canada since 1997, and here in Ontario is delivered through five centres, including London, Sudbury, Ottawa, Toronto and, most recently, Hamilton. This technology involves delivery of a stent graft, or a metal-supported fabric graft, to the aneurysm through the femoral arteries at the top of the leg. These stent grafts attach to the blood vessel above and below the aneurysm, acting as a conduit for the blood flow, excluding blood flow into the aneurysm itself.

This is a minimally invasive procedure. It avoids long abdominal or thoracic incisions. It obviates the need to interrupt blood flow by clamping the aorta and therefore delivers significantly less stress to the cardiac, pulmonary and renal systems. The chief advantage of this endovascular technique is that mortality is substantially reduced in a high-risk individual to less than 2%. Compare this with the risk with open surgical repair—between 10% and 15%—and the advantage is obvious.

In addition, perioperative morbidity is substantially reduced. Many of these patients don't need to be put to sleep to have their surgery. They don't need incisions in their abdomen and chest. They avoid the ICU, for the most part. Perioperative complication rates, including heart attack, pneumonia and kidney failure, are all substantially reduced. Their hospitalization is accordingly shorter, and all of this together means reduced utilization of hospital resources. Because of the advantage that endovascular aneurysm repair offers, this has become the standard of care around the world for high-risk patients with abdominal aortic aneurysm and for most patients with thoracic aortic pathology.

To show you what we're talking about, this is a poster of one of the products. These are various stent grafts. You can see the metal struts supporting this fabric.

This is a cartoon of how the stent attaches above and below the aneurysm, so all the blood goes through the stent graft and not at all in the aneurysm.

These are intraoperative angiograms from a patient that we treated in Sudbury five years ago. On the left is a pre-deployment angiogram. This is the abdominal aorta—branches to the kidney, branches to the legs—and clearly, this is the aneurysm. This is our post-deployment angiogram, after the stent graft has been delivered. You can see that all the blood goes through the stent, and the aneurysm is excluded.

Regarding the economics of EVAR, the 2005 interim report in fact found EVAR, in high-risk patients, to be cost-effective compared with open surgical repair. That effectiveness was based on a significantly reduced incidence of perioperative complications and reduced utilization of hospital resources. That said, this is none-

theless an expensive technology, and to date the endovascular programs in Ontario have been funded through the individual hospital budgets. This means it's an ongoing struggle to maintain these programs. Case in point: Toronto General Hospital ceased delivery of this therapy for approximately two years and has just recently started offering the therapy again. Truth be told, we are unable to treat all the patients in Ontario who should get this therapy.

The government, recognizing the importance of EVAR and recognizing it's the right thing to do, for the first time delivered, for lack of a better term, bridge funding to the five centres in Ontario in October so that we could continue to deliver endovascular repair uninterrupted. Going forward, what we obviously require is dedicated, protected priority funding for endovascular surgery directly from the ministry, not from the individual hospital budgets. This funding should come at the beginning of each fiscal year so that we can deliver the therapy throughout the year uninterrupted.

Finally, given the facts that considerable training and expertise is required and that this is an expensive technology, it makes sense to fund on the basis of a regional model through the five centres that currently exist.

What sort of numbers are we talking about? Well, based on this interim report, I understand from the previous fiscal year that roughly 1,850 patients had their aneurysms repaired, most of them elective, and of these about 200 received the endovascular technique. It is projected that probably over 600 patients annually in Ontario should or could receive this therapy.

In conclusion, then, endovascular aneurysm repair in the high-risk individuals reduces mortality, reduces morbidity, is cost-effective and is the accepted standard of care around the world. Endovascular aneurysm repair truly requires dedicated regional funding so that Ontario citizens have access to this life-saving therapy.

Thank you for your time.

The Vice-Chair (Mr. Phil McNeely): Thank you, Dr. Willoughby. We'll now go to the official opposition for questions.

Mr. Hudak: Thank you very much for the presentation. Typically, how do you go about ensuring the long-term funding for such a program? Is it typically a bridge for a short period of time and you demonstrate—and the hospital then releases monies for the budget? Is this a typical process?

Dr. Willoughby: I can speak primarily about Sudbury, because that's where I work. This bridge funding is the first time it was actually offered province-wide. At our own centre, we've been doing it now almost six years and, to our administration's credit, they've maintained the program. On a couple of occasions, it was nearly discontinued because of cost. But we've lobbied our own administration, and they recognize the value of this therapy. To date—well, we're doing two cases today, so that will put us at 131 cases over the course of about five and a half years. In our own program, we were able to complete about 25 cases per year. Because of the bridge

funding, we can now do 35 to the end of March. We actually ran out of money for the first time in October, and that leaves us with five or six months. For the first time in our five and a half years has it been that bad, where we didn't know what we were going to do. But I can tell you that over the course of the five years it has been a juggling act. These cases get done and then, as you run out of money, you sort of put them off because you know on April 1 the hospital's fiscal year starts again, and then you do a bunch in April and May. So you're really juggling. To date, nobody has ruptured waiting for their stent graft, but it will happen.

Mr. Hudak: What kind of feedback have you had from the ministry about potentially continuing the funding? Did they say, "No, not at all"; they're waiting for results, possibly?

Dr. Willoughby: No, we hear that the ministry is looking favourably upon EVAR, and it's anticipated that province-wide regional funding is coming. It's obviously already there in Alberta; they've got loads of money. But in the last 12 or 18 months the BC provincial government now funds five centres in its own province. So it's the right thing to do, and it's coming. This is Canada; it's not the USA, and we all realize that. There aren't unlimited funds. But this is here to stay, and it's the right thing to do.

Mr. Hudak: How about other countries like Canada? In Australia, the UK or the European countries, is EVAR typically available to families there?

1510

Dr. Willoughby: Absolutely. My understanding of Australia is that they have a private and public health care system, so it's easier for them to deliver this therapy. Actually, Australia is one of the leading countries in the world. The picture I showed you up there was Medtronic but the other company is Cook, and they're based out of Australia. They're one of the world leaders. In Europe, it's the same thing, and obviously the United States. But like all new technology, it's expensive, and Canada is always a little bit slower than the rest, for obvious reasons, and we understand that. It's coming.

The Vice-Chair: That's the three minutes. Now we go to Mr. Prue of the NDP.

Mr. Prue: I really don't have too many questions other than, is there any sort of ballpark, has anybody given any thought to how much this will add to the budget?

Dr. Willoughby: Oh, yes. I'm not an economist but on that interim report from July, on the website, they talk about these economic models, which I don't understand or pretend to understand. Although there is some cost-effectiveness with the endovascular technique, it's nonetheless going to cost more money if the province funds 635 cases per year. Clearly, it is going to cost more; nobody would sit here and tell you it isn't.

The range is between, plus or minus, something like \$1.5 million to \$9 million more, depending on the final analysis, which is due in April 2006. So I don't think the government really knows exactly how much more it's

going to cost yet, and it puts a cautionary note that the July report was an interim report and all the patients hadn't been looked at yet. It will cost more, though.

Mr. Prue: But it could be a fairly small amount of money. In a province of 13 million people—

Dr. Willoughby: When you put it in that context, it is a small proportion.

Mr. Prue: —it's like 50 cents each or a quarter each.

Dr. Willoughby: That's right. What isn't looked at in this report is, when somebody ruptures their aneurysm and undergoes emergency repair, they're in hospital for weeks, if they survive, and it costs tens of tens—\$100,000. That isn't necessarily in this report. They didn't look at ruptures.

The only way to save money is not to treat anybody, I guess, but you can't do that.

The Vice-Chair: It's time now to go to the government.

Ms. Marsales: Thank you, Dr. Willoughby. I was very pleased to see Hamilton added to that list. I'm from Hamilton. Hamilton Health Sciences is the number one employer in the Hamilton area and over the past few years has been developing as a centre of excellence for the delivery of health care. I guess I was surprised, with the demographics of an aging population, that this type of therapy would be deemed to be expensive relative to what I imagine is the current therapy, which is the surgery and the delivery of all the attendant care after that fact. I suppose this sort of leaves off where Mr. Prue was heading. Could you perhaps address that a little bit?

Dr. Willoughby: Yes, in general terms. It's all in that report. They looked at the cost of the device, the cost of hospitalization, ICU—everything, from nursing salaries, cost of complications—and up to one year follow-up. CAT scans are required to follow these particular patients whereas they are not required for standard open surgical care. This is still a surgery, but it's just minimally invasive.

To give you some idea, up front it looks like this is tremendously more expensive because a fabric graft for the old repair is about \$500 or \$600. This stent graft costs \$10,000 to \$15,000, depending on how many components you put in. So that's a tremendous increase in cost when you just look at the device. But if you look at the high-risk individuals and add up all the costs of ICU, how long they're in hospital, myocardial infarctions, pneumonia, blah, blah, blah, and add all that up, at least in the interim report, there was a cost saving for the group of patients with the endovascular technique. They came up with numbers—I'm sorry I don't have them here. I'll just make them up a little bit. It might have been, for a low-risk individual, \$13,000 to \$14,000 to do the open repair. To do an endovascular repair costs, say, \$23,000. But to do a high-risk patient the old way costs \$32,000, for example. So there was a cost saving with this technology in the right individuals.

Ms. Marsales: Again, extending that concept a little further, with the aging population and the increase in the number of incidents relative to the ability to deal with

them, is there a time element to this? In other words, the physician's time in dealing with it would be less under this particular therapy than in the previous therapies?

Dr. Willoughby: Does this take less of our time?

Ms. Marsales: Correct.

Dr. Willoughby: No, there's no difference in that regard. I thought maybe you were going to ask over time. Our population is aging. That number, 600, I don't know exactly where that number is from, but they're projections. You could imagine that over the next 10 years that number will continue to grow—aging population. The technology is getting better all the time, which means it will conceivably become more applicable, over time, maybe to do the intermediate-risk individuals. Right now there's no advantage at all to doing it in the good-risk patients; you should still have it done the old way. But 20 years from now, who knows?

The Vice-Chair: Thank you, Dr. Willoughby, for that presentation.

DISCOVER ABITIBI

The Vice-Chair: We'll now hear from Robert Calhoun, project manager, Discover Abitibi. You have 10 minutes for your presentation. For the purposes of Hansard, would you please state your name. You may proceed.

Mr. Robert Calhoun: Robert Calhoun, project manager, Discover Abitibi Initiative.

Good afternoon, Mr. Chair and committee members. Let me begin by thanking you for the opportunity to make this presentation. I would like to thank my colleagues at the Timmins Economic Development Corp. and the management team of Discover Abitibi for allowing me to volunteer to give this presentation this afternoon.

Today I want to discuss two topics. It would require much more time than we have today to fully go into aspects of either, but I will briefly discuss these topics.

The first topic is flow-through shares. The flow-through share program has been the mainstay of exploration financing for three decades and has been responsible for funding the discovery of numerous mineral occurrences and mineral deposits in Canada and in Ontario. Two local examples are the Lake Shore project and the McFaulds Lake project. These deposits have resulted in economic growth and stability and the general well-being of several northern and rural communities across Canada and in Ontario.

The junior mining sector has been the recipient of a large percentage of this funding and has been the initial discoverer of the deposits mentioned. The role of the junior exploration sector has become increasingly important in mineral exploration. In 2004, junior company spending on exploration in Canada overtook senior mining company spending. There is evidence too that the junior sector is shifting its focus from gold to base metals and uranium targets due to the strong demand and continuing strength in commodity prices. On the bottom of the first page you will see a breakdown of the

distribution of funds spent on exploration by junior and senior companies.

Unless you have been living in a bubble for the last couple of years, you will know that the demand for base metals and mining products has increased dramatically due to China, India and Brazil. Together they had average economic growth of about 5.53% between 2000 and 2004. This is substantially higher than even the United States, at 1.78%.

The demand for commodities has centred principally around base metals—copper, lead, zinc and nickel—and there is increasing demand for virtually all mineral products, including coal, iron ore, titanium, platinum and palladium. Demand for commodities has, of course, benefited the mining industry. In its review of global trends in the mining industry, PricewaterhouseCoopers reports that “the mining industry had a spectacular year in 2004” and that “profits have doubled for the second year in a row.” As a major supplier of mineral products, Canada has been one of the principal beneficiaries of this upswing. Expectations that the demand for commodities will continue at a high level for at least the next two to three decades mean that Canada and Ontario, and its economy, could be in an excellent position to reap further significant economic benefits. To be able to achieve this, we have to ensure that our key reserves of base metal commodities are replenished.

1520

This, unfortunately, is not the case. Natural Resources Canada shows a steep decline in proven and probable reserves of base metals over the past 26 years. The actual declines have been 63% for copper, 44% for nickel and 92% for lead. Zinc has fallen by 77% and molybdenum by 79%. This is an alarming trend. The decline in base metal reserves could have far-reaching consequences. When the demand is high, we should be able to take full advantage of high metal prices to sustain the economies of northern communities, the province and the country. A continuation of this decline will have a negative ripple effect on our country's northern communities, their local economies and on the country's smelting and refining infrastructure.

In Timmins we have approximately 3,000 people working directly for the mining industry. That equates to about \$180 million in wages every year. Of that, \$90 million goes back to one government or another in taxes. So the loss to the province and the loss to Timmins—Sudbury is even higher than that because they have approximately 6,000 working in the mining industry, and that's about \$390 million in wages. That doesn't include the consumables and other products the mines have to use.

At the top of the third page you will see a graphic representation of the decline in mineral reserves that I mentioned earlier.

The role of the government in attracting exploration investment: The ability of companies to raise capital for exploration depends on a number of factors. Some of these can be influenced by government; some of them

cannot. The state of capital markets, the demand for products and so forth are things you can't control. On the other hand, government policies and programs can contribute significantly to a country's attractiveness as a target for exploration spending. The authors of the 2004-05 Fraser Institute mining survey confirm this: "While geologic and economic evaluations are always requirements for exploration, in today's globally competitive economy where mining companies may be examining properties located on different continents, a region's policy climate has taken on increased importance in attracting and winning investment." A fair regulatory regime, an up-to-date geoscience database, a skilled pool of geoscientists and policies that promote the generation of exploration capital—features that can enhance a country's investment climate—can be effected and influenced at the policy level.

Revenue Canada has recently dropped the 15% tax credit on exploration expenditures. Manitoba and Quebec, the provinces immediately west and east of us, have respective flow-through markups of 10% and 50%. Presently, Ontario's focused flow-through tax credit stands at about 5%. In addition, both Manitoba and Quebec share in the risk of exploration by providing direct funding for selected activities. This places companies exploring in Ontario at a disadvantage, and with the geological potential being equal, the flow of funding will shift toward other jurisdictions.

So we propose that with the high metal prices at the present time, the Ontario government increase the Ontario focused flow-through tax credit to a level that would shift the advantage back to Ontario. This measure would send a clear signal to the exploration industry that Ontario is definitely open for business and the government is committed to providing the industry with the means to sustain one of the pillars of the economy. This would help ensure that there will be employment for our youth, especially in northern and rural areas, stemming the tide of out-migration from our smaller northern communities.

The Vice-Chair: Mr. Calhoun, you have one minute left.

Mr. Calhoun: Okay. A good speaker always leaves them wanting more, so I won't be able to get into the second topic very deeply.

The Ontario Geological Survey has historically been the provider of baseline data for explorers and prospectors in the province. Over the last three years, the Ontario government has been a partner with the local community here in Timmins and the community in Kirkland Lake on a project known as the Discover Abitibi Initiative. This was funded by the Ontario government through the northern Ontario heritage fund, Industry Canada through FedNor, the local municipalities and private sector companies.

We have completed a number of projects in the area. These have resulted in increased investment and an increase in the number of claims being staked, and has helped us evaluate areas where we previously did not know the potential. The advantages of this project model

have been: Search areas have been chosen by the mining industry and the government; non-partisan participation of local experts increased our chances of success—those people volunteered their time and weren't paid by their companies to participate; companies have shared proprietary data on the order of \$140 million; the new data was made public through the Ministry of Northern Development and Mines with no advantage given to anyone who had been a contributor—the data came out, and everyone was able to get the data, all on the same day. Further advantages are: The Ontario geoscience database has increased, knowledge of provincial resources is being marketed globally and funding for the OGS can be directed into other areas of research.

The Vice-Chair: Thank you. We'll now go to questions.

Mr. Prue: I think what you're saying is all worthwhile, and we've heard other speakers talk about flow-through. I'm curious as to the steep decline in Canada's proven and probable base metal reserves. Is this because a number of large mines that once existed had gone out of service? It looks pretty precipitous to me. Copper is down 63% and nickel 44%, and yet Inco seems to be expanding. Lead is down 92%; zinc is down 77%. Why is this?

Mr. Calhoun: At the present time, if you take the Sudbury Basin out of the mix, there are two base metal mines in Ontario: the Kidd Creek deposit here and a smaller nickel mine, the Montcalm mine, west of town. Over the last 26 years we have seen at least eight other base metal mines deplete their reserves. There has been some expansion of nickel and copper in Sudbury, but at the rate of mining, we are in no way replenishing those reserves. It just isn't happening.

Mr. Prue: We won't know, of course, until they're found, but is there some geological reason to expect there are other lodes out there, really good places like Timmins and Sudbury?

Mr. Calhoun: Yes. A number of companies have worked in Red Lake, as an example, and in Kirkland Lake. It was not base metals they were looking for, it was gold, and they actually found deposits that were larger than the deposit that was being depleted right beside that deposit. The search techniques are deeper. The way we do exploration now has gone to the world of technology, and we have a much better chance of finding ore deposits at the present time than we have ever had.

The Vice-Chair: Mr. Arthurs.

Mr. Arthurs: I have some questions in regard to skilled trades. We've obviously heard, during the past couple of days, about the capacity to continue to provide new skilled tradespeople, specialists, geologists. We see in the north a declining population, out-migration. We've got to commit this government at this point to invest in post-secondary and training and apprenticeship programs. What can we be doing that will support the industry from the standpoint of providing the necessary skill sets to take advantage of what's seen as two or three decades yet of opportunity, on the premise that new resources also can be sourced?

1530

Mr. Calhoun: The government obviously could provide some additional funding for students to get into geoscience studies. Because of the major decline in the mining industry between probably the late 1980s and into the 2000s, we have basically lost a generation of geoscientists. They looked at going into geology, engineering and so forth, which would have supported the mining industry, and at the end of four years they couldn't see that there were any jobs out there for them to have, so they shifted into other areas. When they went south, they got into technology, because that was the wave of the future.

At the present time, we need immigration, for that matter, to get people into the country. The government needs to allow these people to enter the country and work in the mining industry. That would be one way to help. Basically, right now we call the mining industry a grey industry because of what you can see on top of my head. A lot of the people who are working in the industry now are older. We foresee that we probably will need in the order of between 40,000 and 80,000 people to get into the mining industry in this country because of the fact that guys like me are hopefully going to retire sometime—not at freedom 55; that's not going to happen, but hopefully at freedom 65. So just encouraging students and so forth to get back into the mining industry is one way to help.

The Vice-Chair: Thank you. That's the time. Now to the official opposition.

Mr. Hudak: Bob, thanks very much for the presentation, and thanks for all the advice that I had the benefit to get from you when I was the mines minister. It's nice to be back in Timmins at a better time than we faced a few years ago in the industry. The advice you gave me then still stands today, and you just want to see it go a bit farther. The focused flow-through share program you want to see expanded from 5%.

Mr. Calhoun: Yes.

Mr. Hudak: I was a little worried, and your presentation seemed to be a hint: Is there concern that the federal government may cancel or not extend their tax credit, or are you confident?

Mr. Calhoun: The flow-through funding at 100% with the federal government stands. The 15% that they called the super-flow-through stopped at the end of December 2005, so it is gone now. If Ontario wanted to affect the number of people coming to Ontario to explore, they could take on that 15%. I have no way of calculating what the loss in revenue of the taxes would be for the province. I would expect it to be probably in the \$3-million to \$4-million range. But if it finds one mine, they get their money back in the first year easily, and after that everything would be paid for.

Mr. Hudak: The other important point you made was making sure that the OGS stays on its main mandate. It has had some other jobs to do. We had Operation Treasure Hunt, and I was very pleased with that. It looks like there's a bit more of a focus now on the far north for the OGS.

Mr. Calhoun: Yes.

Mr. Hudak: How far ahead now has the province budgeted to continue to invest in the survey, or is that funding running out in the near future?

Mr. Calhoun: The far north initiative is a three-year initiative. It's in the order of \$5 million a year for the next three years, and then it's the core funding for the OGS that we hope doesn't get eroded even further. The Discover Abitibi Initiative cost the province \$5 million. We completed 19 projects. We have one technical success. I can only call it a technical success at the moment, because they haven't proven that it's an ore deposit, something that they can mine.

Tres-Or has found a diamond discovery down at Kirkland Lake. The body in which they found the diamonds is bigger than the Victor deposit, which will have an investment of about \$900 million, so you would expect this one to be somewhere in about the same thing. It won't be quite as bad, because they don't have the far north to deal with. If that one deposit came to life as a mine, the benefits to the province, to Kirkland Lake, the Timmins area, this region alone—mining companies have a bad case of what I like to call “close-itis,” that if somebody has a success, I want to have the property that sits right next door to it. That alone has brought three new companies into that area. Between September and December of last year, they staked over 3,000 claim units in and around where that deposit is.

As part of the Discover Abitibi project, we went out and did some diamond research of our own. We found six locations that had diamonds. Those were immediately taken up. Companies have announced that they are going to investigate the diamond possibilities on their properties, because some of them were on staked property. Even the Discover Abitibi Initiative has made a discovery that has caused people to invest immediately in diamonds. We didn't expect diamonds to be the one that was going to be the first. We were hoping for a base metal or gold. That's what we expected, but we have a diamond discovery, and we'll take it.

The Vice-Chair: It's hard to interrupt when we're talking about diamonds, but that's the end of the time. Thank you very much for your presentation.

Mr. Calhoun: Okay. Thank you.

ONTARIO SECONDARY SCHOOL
TEACHERS' FEDERATION,
DISTRICT 1

The Vice-Chair: We now have a presentation from the Ontario Secondary School Teachers' Federation, district 1: Tony Sawinski, president, teachers' bargaining unit. Please come up to the table. You have 10 minutes for your presentation. If you could start off by giving your name for the purpose of our recording Hansard, and you may begin.

Mr. Tony Sawinski: Tony Sawinski. I'm the teacher-president of district 1, Ontario North East, Ontario Secondary School Teachers' Federation. On behalf of the

teachers and educational workers of OSSTF, district 1, Ontario North East, I welcome the opportunity to speak to you this afternoon and provide input to the government's pre-budget consultations.

It is widely known that the most important priority of this government is education. I would be remiss if I did not recognize the government's effort to date in education by the increased funding that was and continues to be required. Your efforts to include more funding for additional teachers, support staff, textbooks and resource materials are to be commended. However, in order to fully repair the past damage and shortcomings plus prevent the same problems from arising again, the funding for public education in general, and the funding formula in particular, still need to be addressed.

In the past, I've had the opportunity to provide input to a previous committee, where I identified areas of concern. The government has addressed some of these concerns. Other concerns are still relevant today, as they were then. Proper funding of public education will address these concerns. I maintain that the suggestions I provide today will build on the good work that has already been done. Continued improvements in our public education system will not only be a beacon for others to follow worldwide but will bring Ontario's economy into the future.

Adjustments and new funding requirements: Number 1, responding to inflationary pressures:

Recommendation 1: that the government should establish a realistic inflationary adjustment factor to the funding benchmarks that will continue to cover anticipated cost-of-living increases for school boards.

Recommendation 2: that the government fund benefits in terms of real costs and account for the fact that benefits increase at a higher rate than overall inflation.

Several years ago, the Rozanski task force recommended that the benchmark costs affecting salaries, benefits, learning resources, school operations and construction should be increased to reflect real costs. The issue of properly funding benchmarks in some ways is central to the smooth operation of the whole funding formula and to ensure that school boards get sufficient funding. The underfunding of the benchmarks causes undue strain for money in other areas, which in many cases forces school boards to cut services to students. For example, the inflationary pressures on the cost of employee benefit plans need to be addressed in this budget. Currently, the benefit plan funding is directly pegged as a percentage of the benchmark salaries. Moreover, when it is applied to a chronically undervalued benchmark, a funding shortfall results, which in turn puts pressure on vital benefit and wellness plans. Locally, our benefit costs have risen by over 30% during the past five years. Our benefit plans have experienced an erosion of benefits over that same time period. If the government is going to use the funding formula as the sole source of revenue for school boards, it must consider incorporating a method for updating the benchmark values.

1540

Number 2, pay equity funding:

Recommendation 3: that the 2006 budget include funding to school boards and universities and colleges to allow them to meet their obligations under the Pay Equity Act.

The Pay Equity Act was implemented in 1990. The purpose of this legislation is to ensure that women are paid fairly for the value of the work they perform. At the school board level, there is no direct funding available to address the retroactive requirements of pay equity. Although pay equity was negotiated in many school boards in the period between 1990 and 1998, the amalgamation of school boards made it necessary to revisit this issue. As a result, some seven years later, many school boards and support staff bargaining units have not completed this statutory requirement and many, by their own admission, are facing a growing financial liability. The government needs to ensure that appropriate funding to address the pay equity costs of school boards is in place over and above the funding formula and that the Pay Equity Commission, for its part, has the personnel and resources needed to facilitate agreements between school boards and applicable bargaining units.

The college and university sector is also facing financial strain due to negotiated or anticipated pay equity settlements. This really needs to be recognized by the government, which should provide assistance to enable universities and colleges to meet their legal obligations under the Pay Equity Act.

Number 3, underfunding of student credits:

Recommendation 4: that the government fund actual high school credits instead of an average of 7.5 credits per student.

As of 2005, the government moved the funding for additional credits from the teacher compensation grant, where a board could apply for up to 7.5 average credits—the base funding prior to 2005 was at 7.2 credits per student—to the foundation grant, but kept the average number of credits that are funded at a maximum of 7.5. For most school boards, this does not address the funding shortfall. The real funding problem is that the average number of credits taken by students each year is greater than 7.5.

The government's mandate of increasing the number of students achieving a diploma will have a more defined impact on this particular weakness in the funding formula. Successful graduation will still require accumulating credits from traditional classrooms or through new programs yet to be developed. This accumulation of credits in the four- to five-year time frame will create a funding shortage.

Many district school boards, for a number of reasons, have designed the school day so that students may take more than four courses per semester and possibly more than eight courses per school year. Many school boards have music and other programs that provide credits for work done outside of the traditional instructional class time. In addition, the shortening of the secondary pro-

gram to four years has caused the average credit totals in school boards to steadily increase, because shortened years mean more credits needed to be taken each year, resulting in a higher than 7.5 average. Many school boards are reporting an average of at least 7.6 credits per student. The main non-funded expense for these extra credits is teacher cost. The only alternative to hiring additional teachers would be to raise class sizes. For example, in our board, where there are 4,000 full-time-equivalent students, at an average of 0.1 unfunded credits per student, there would be 400 credits with no funding. Therefore, our small-sized board with a secondary enrolment of approximately 4,000 students would experience an underfunding of students' normal credit classes of more than \$186,000.

Number 4, adult education:

Recommendation 5: that the government re-establish the funding level to students in credit courses over the age of 21 to the same level as high school students in regular day schools.

The rationale for this: The previous government slashed funding for students over the age of 21 by 75%. As a result, the number of students taking adult education courses fell from more than 80,000 to under 8,000 in eight years. Prior to this, students who dropped out of secondary school often returned to take courses at adult day schools to complete their diploma.

I have included an excerpt from a budget presentation that I made in 2000:

"Drastic funding cuts for adult education programs came into effect in September 1996, before amalgamation and the new funding formula for the whole public school system. At that time the funding for an adult student over the age of 21 was dropped from \$5,800 to \$2,257 a year, a cut of approximately 60%. It has remained at \$2,257 under the new funding formula.

"The immediate effect on the PACE centre, our local adult education facility, in September 1996 was the loss of two full-time teachers. Within a year the equivalent of one full-time teacher was lost, two part-time teachers, two periods of ESL and one period of mathematics. We now have just four full-time teachers remaining, including the coordinator/guidance counsellor/teacher, who are still trying to offer a viable program, grades 10 to 12, leading to graduation.

"Because of the limited staff available, most teaching sections are combined classes." One teacher, in our most extreme example, in one class handled students taking MTB3G, MTB4G, MTT3G, MTT4G, MAT3A and MAT4A. "This situation results in a much heavier and more stressful workload for the teacher" than the same course in a normal secondary school class. "It also means less help is available for the students in each course since the teacher's focus is so divided. Only three sections out of 10 this semester are single-coded classes."

That was going back to 2000. The current situation has further deteriorated. The site mentioned earlier now has only two teachers. Last year, one teacher was responsible for the following courses—I won't list them all. It is sad

to state that the best way to describe our adult education is FUBAR, and I apologize if I offend anyone.

With the government's commitment to providing students with the choices they need to be successful, it only makes sense that the government would commit to making additional expenditures in this area to offer students over 18, and not just those under 18 years of age, the opportunity to obtain their secondary school diploma. The opportunities to take cooperative education programs, OYAP, and other school-to-work transition programs are equally viable for students over 21 as they are for students struggling with secondary school who are under 18 years of age.

The Chair: You have about a minute left in your presentation.

Mr. Sawinski: Thank you.

Number 5, health and safety:

Recommendation 6: that the 2006 budget include funding to school boards to allow them to meet their obligations under the Occupational Health and Safety Act.

The government, under the auspices of the Ministry of Labour, has understood the importance of occupational health and safety in our workplaces. The hiring of more inspectors and recognizing that violence is an occupational safety hazard are two examples of the government's commitment to occupational health and safety in the workplace.

The Ministry of Labour and their inspectors are strong proponents of the internal responsibility system and encourage the workplace parties to work jointly to make the workplace healthier and safer. In order for the system to work, the workplace parties must meet on a regular basis. Local health and safety inspectors must be trained and be released from their regular duties. The school boards must pay for any cost additional to running a health and safety program.

Currently, the funding formula does not provide for any direct funding for school boards to meet their obligations under the Occupational Health and Safety Act. The government needs to ensure that appropriate funding to address the occupational health and safety costs of school boards is in place.

I have, obviously, another recommendation, and I've outlined areas of potential savings. One that might be of interest to you would be the last one, on a confederated school board model, which I don't have time to put forward.

The Chair: Thank you. We'll begin this round of questioning with the government.

Mr. Wilkinson: Just one question, Tony. Is number 8 your idea or is that the OSSTF? Is that the position of the entire Ontario Secondary School Teachers' Federation or is that from your local?

Mr. Sawinski: When you say number 8, I didn't number the pages; I apologize.

Mr. Wilkinson: The confederated school board.

Mr. Sawinski: The confederated school board is an OSSTF initiative. It's been around for several years—about 15 years ago.

Mr. Wilkinson: But for the whole province?

Mr. Sawinski: It is for the whole province, yes.

Mr. Wilkinson: And that's the stated position right now?

Mr. Sawinski: Yes. We just did a study on it that was released last Friday.

Mr. Wilkinson: Okay, thanks. I just wanted to get some clarity on that.

We appreciate the fact that you're acknowledging that we're trying to improve things. I know the parents are telling us that. If you were to prioritize these things, because it takes a while to get these things fixed—it took a while to get it the way it was and it's going to take us a while to change it—what would you think were, say, one or two things that we could emphasize to the Minister of Finance that you thought were most important here in this part of Ontario for public education?

1550

Mr. Sawinski: That's a difficult question to answer in terms of one or two things. I would guess that—

Mr. Wilkinson: But particularly here in the north, because since we're here, it's important for us to get a sense of the priorities and how they fit right across the province.

Mr. Sawinski: I would suspect that the first two recommendations that were made, in terms of the real costs—taking into account the anticipated inflation and benefit costing that's higher than inflation—would probably be at the upper end of the priorities.

Mr. Wilkinson: And that would do a better job of reflecting actual costs in the north, I would think, where you have some cost drivers that are higher than they are in southern Ontario.

Mr. Sawinski: Correct. And for some reason, the benefit costs tend to be a lot higher in the north.

Mr. Wilkinson: Really?

Mr. Sawinski: Yes. Life insurance, for example: We get charged 25 cents per \$1,000 of coverage where our counterparts, say, in the Kawartha-Pine Ridge area pay about 13 cents per \$1,000.

The Chair: Thank you. We'll move to the official opposition.

Mr. Barrett: Thank you, Tony. I've followed this presentation from OSSTF with interest. Recommendations 1 and 2 with respect to underfunding of benchmark costs: You mentioned salaries and benefits, and you've indicated that in many cases it forces school boards to cut services to students. What would be some of the services that are being cut?

Mr. Sawinski: I think I highlighted a few earlier in terms of adult education. Our adult education program is almost non-existent. We used to run—

Mr. Barrett: That was a number of years ago; that was pretty well eliminated. But under the present government, it's still continuing to be cut back?

Mr. Sawinski: They're not cutting back, but they're not putting in more money to restore the funding that was there previously.

Mr. Barrett: But what other cuts do students, at present—in your brief you indicated that 75% of that was cut a number of years ago.

Here may be one example: Are there any schools closing in northern Ontario?

Mr. Sawinski: No. In fact, I think a couple of years ago, they closed one small school in the Larder Lake area.

Mr. Barrett: High school or—

Mr. Sawinski: Elementary. But now they're building schools. Where they were actually housed by, say, English and French, both sectors are now building their own schools. It's the confederated school board model that I didn't get a chance to speak about. There would be a cost saving because they would all be under the same umbrella and you could be sharing facilities much more readily.

Mr. Barrett: So the new schools, then, do accommodate students from several boards?

Mr. Sawinski: I can give you some specific examples. Cochrane High School used to house both English and French at the high school level. Now what has happened is that the French have built their own school; they've built an addition to the high school to house grade 7s all the way to 12. They're going to be building a new high school in Kirkland Lake. They're going to close an elementary school there and it's going to be from grade 7 to 12. There was French in that school as well; the French are building their own school.

Mr. Barrett: So they are closing schools as well, then, it sounds like.

Mr. Sawinski: Well, they're merging. They're closing an elementary school and housing the 7s and 8s with the high school students. The same thing will be happening in Hearst.

The Chair: Thank you. We'll move to Mr. Prue of the NDP.

Mr. Prue: I'd like to get to the part you didn't get to: the confederated school board. Obviously, this is an OSSTF position, or at least has been in the past—15 years ago. It seems to be resurrected now. What about the other teachers' unions? What about OECTA or the French Catholic or the Protestant boards? What are their positions? Have they sat down? Do they agree with this? Do they disagree? Have they not seen it? Where are they?

Mr. Sawinski: They have seen the former version of it. I don't know how much has changed, because this was just published last Friday, as I indicated. This has nothing to do with affecting the affiliates; this is more in terms of streamlining the costs of administration, so that you'd only have one director of education in a school board, one set of superintendents. It's to streamline the administrative services that are offered; not to affect, say, the affiliates. It's a way of saving monies. For example, in Timmins there are four directors of education. Why

would that be? You could probably just have one. You can still offer each of the umbrella schools. You can still offer the French public; they still have their own trustees. You can still offer the English public, the English separate etc.

Mr. Prue: But I do know that in some of the larger cities like Hamilton, Ottawa and Toronto when the school boards were amalgamated it didn't save any money at all, because all that happened was the bureaucracy inside of them just got even bigger and there were more directors and more sub-directors. The costs went out the window. Don't you think that that might happen? It has certainly been the history.

Mr. Sawinski: I can't speak for Hamilton, but I can speak for the north. I can tell you that the amalgamation of the north may have even cost more money, because you have a lot more travelling. They've purchased expensive equipment in terms of videoconferencing. Hundreds of thousands of dollars went into that.

This confederated school board model: If you just looked at, say, Timmins, instead of our board running from Hearst to Temagami, it could be one school board covering the Timmins area, one for the north, one for the southern part of the area, and there would be significant savings because you won't have so many administrators running the system.

The Chair: Thank you for your presentation this afternoon.

ONTARIO FOREST INDUSTRIES ASSOCIATION

The Chair: Now I call on the Ontario Forest Industries Association to come forward, please. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Ms. Jamie Lim: Good afternoon, Chair and panel members. Welcome to my hometown. It's always a pleasure to be meeting with all of you here in Timmins as opposed to where I work in downtown Toronto.

I've given you quite extensive packages, but I really like supporting my paper members as often as I can. So I don't apologize—

Interjections.

Ms. Lim: No, definitely never double-sided. Are there people who still do that? That's just wrong.

I'll try to run you through it very quickly if I have a little bit of time at the end, because I think it's very important that you look at all of the information that's in the package.

Having said that, I'd like to start with the devastating news we received this morning. I know all of you have been quite engaged in your panel hearing today, but this morning Bowater in Thunder Bay announced the closing of its kraft A mill and with it the reduction of its 1,300-person workforce by about 20%. That was this morning's announcement.

How many mills is it going to take, how many mills are going to have to close, how many jobs are going to have to be lost before we start working together to restore Ontario's competitiveness for the forest sector? And how long can we afford to wait in addressing the critical core competitive issues of this province for the sector? Quite frankly, with this morning's announcement, I can assure you that time is a luxury that none of us as citizens of Ontario have on our side.

Last year, when we met with you, we created our pre-budget submission and called it "Forest Industry in Crisis." I want you to know that it took us a week to decide whether or not we would put that one word, "crisis," in our pre-budget submission, because we have shareholders, we have public, we have employees, we have families, and creating anxiety is not anything that any of my members want to do recklessly. It was after a week's discussion with my members that we said we have to call it what it is. So last year our pre-budget submission was called "Forest Industry in Crisis," and this year I'm sad that I'm sitting here in front of you to tell you that it is still in crisis. I had hoped that 2005 would be what we would look back on and say it was the year. That's what I hoped for. Unfortunately, I think we're going to look back on 2005 and say, "I wish we could have had a year like that," because we're looking at 2006 being even worse.

1600

I want to make it absolutely clear that this is not about a dying sunset industry. This is about my members. My members are investing money right now, today. They're investing money in jurisdictions across North America; they're investing money in other jurisdictions in Canada. So this isn't a sunset industry; this isn't an industry with no opportunity left in it. This industry has plenty of opportunity, and our members are making investments. Unfortunately, Ontario isn't reaping the benefits of any of that.

It is a real crisis. I don't know how many of you maybe grew up in the north and have migrated to southern Ontario, like so many of us have to do, but this is about communities. I know you were in Atikokan yesterday. I spoke to many of the people who attended that meeting. I was in Montreal last night or I would have been up in Atikokan. This is about people who have spent 20, 25 years working for a company, paying off a mortgage on their \$100,000 bungalow, and when that mill closes they're lucky if they can get \$10,000 for their house; they're lucky if they can get \$5,000 for their home. That's a crisis. Those are real people; those are Ontario citizens. I think we have to move to act on it.

Last year, the warning flag went up, and that's why Minister Ramsay started his Minister's Council on Forest Sector Competitiveness. Seventeen diverse stakeholders came out with 26 recommendations that we thought were fantastic. I think Minister Ramsay did an incredible job selecting who sat on that council. I think he did a good job in giving them the latitude to bring forward recommendations that really, truly would address the com-

petitiveness of the province—not whether or not we could keep every mill open, because that's never been what this is about. This has never been about keeping every mill open in Ontario, keeping every job in place in Ontario. This is about restoring the competitiveness of this province, something we had just three years ago. That's what this is about.

Last year the minister's council report predicted 12 mill closures, and I'm sad to say that we've realized, if not 12, I would say more—it's in appendix 4 in your brochures, I believe. The closure of just 12 of those mills that were indicated in the minister's council report would result in a \$340-million loss in provincial taxes, \$555 million in federal taxes and \$75 million in municipal taxes. I can tell you that in 2005, we had double the mills close in our province and we lost double the jobs—twice as many—as any other jurisdiction, any other province, in Canada. That's not something any of us should be proud of. It's wrong, and we need to change it. We need to change it fast.

It is really critical that we recognize that this isn't about northern Ontario; this is clearly about Ontario's prosperity. My staff who work with me in Toronto are on the GO trains; they're all over the place. I don't say no to any speaking engagement I get in southern Ontario. I don't care how small it is; I don't care what the group is. But I want you to know that it doesn't matter where you live. All of you in this room right now—we checked out your ridings—have 88 forest operations in your collective ridings. Eighty-eight. So this isn't about northern Ontario. This is about our prosperity; this is about the money that we generate for this province, the labour income, so that we can keep enjoying the health services, the educational services that we all demand as citizens of not only Ontario but of Canada.

Make no mistake about it: Southern Ontario is beginning to understand that the forest industry is not something that happens “up there.” I can remember interviews I used to do a year ago with the *Globe and Mail* or the *Toronto Star*. They would say, “Well, what's happening up there?” This isn't about where you are today. This is about our province as a whole. Last Sunday, the *Toronto Star* op-ed board put together on their commentary page a piece called “Forest Crisis Poses Threat to All Ontarians.” They're talking about this on the GO train, they're talking about this in southern Ontario, and we're going to make sure they keep talking about it because we can't afford this crisis in our province.

Toronto alone—we sat with Mayor Miller and explained this to him. I have one company that operates in Ontario and spends \$600 million a year on goods and services. They purchase \$201 million of those goods and services from the city of Toronto. That's what they spend annually in Mayor Miller's city. If that company were to close, Toronto would lose more from its economy within a span of five years than what was taken by the SARS epidemic. That's how critical this crisis is. That statistic is from the Conference Board of Canada.

You've had recent closures right across Ontario. You're going to Cornwall tomorrow. We lost 910 em-

ployees there when Domtar announced the closure of their mill. I think you'll find appendix 3 in the package interesting. We spent a lot of time putting together the forest sector impact on southern Ontario. We have there the operations in southern Ontario cities. We've shared that with mayors across southern Ontario. They were quite surprised to see that information. You have a copy of it, and I won't go through it with you here.

In December, when we put together the pre-budget submission you have in front of you—we had it in to Minister Duncan on December 17—the number of job losses was 2,600 in that initial report. On Monday, when I put it together for this panel hearing, it was upgraded to 3,100, and this morning that number is already wrong because with the impact of Bowater's closure we're probably going to be looking at 3,400 or thereabout.

I've also included in your package a CIBC chart that shows job losses and mill closures from other provinces in Canada so that you can see that when I say to you that we have double here in Ontario, again that isn't our statistic; it's from CIBC. You have to remember too that these jobs are well above the provincial average. They pay, on average, \$68,000. The jobs we have in southern Ontario are mostly head office jobs, on average \$90,000 and up, so we can't forget that.

I also think it's critical to note that while we talk about a perfect storm in Canada and how there are challenges facing the entire Canadian forest industry, you're absolutely right when you say that. We have the softwood lumber dispute, we have the appreciating Canadian dollar, we have globalization and we have a decreased demand for some products, and that's facing all the operations across Canada. It's a perfect storm. Unfortunately, here in Ontario, we're being hit by a tsunami, and I think people have to wake up and realize that. We have made-in-Ontario issues that go far beyond being hit by an appreciating Canadian dollar, far beyond being hit with the softwood lumber dispute. We have soaring energy costs, which you have heard over and over from presenters in the last two days.

I've given you a report called “Reducing Impediments to Pulp and Paper Mill Biomass.” On pages 34 and 36, they specifically talk about alternative energy sources. I think what is critical to note, on page 34, is a survey of Canadian industrial electricity bills, and of course Hydro One Networks and Toronto Hydro rank right up there as the highest in Canada. On page 36, they talk about the significant barrier to cogeneration within the pulp and paper industry being the lack of capital. When we talk about all these great projects that we can have in Ontario—cogeneration and all these exciting things that could happen—you have to remember one fundamental rule: Businesses invest in low-cost jurisdictions; businesses invest in jurisdictions where they can get a return on capital employed. Until the core competitive issues in Ontario are addressed, you will not see projects of any significant magnitude go ahead because, quite frankly, no one is willing to put capital into projects they can't get a return on. That is a critical thing for all of us to keep in mind.

1610

The Chair: Your time is nearly expired. You have 30 seconds.

Ms. Lim: Thirty seconds? You were supposed to give me a one-minute warning. You gave everyone a one-minute warning.

The Chair: The one-minute warning was two minutes ago.

Ms. Lim: Thank God I'm the last one today.

I'd like to also point out that you have in your packages something from C.D. Howe called "Perverse Taxes Threaten Canadian Investment and Job Creation." Table 1 on page 12 in that document points out that in Ontario—again when we're talking about made-in-Ontario issues—we have the unenviable position of having the highest effective tax rates on capital in forestry for 2005. Again, these are made-in-Ontario issues. I've put them all into your packages.

I'll just try to sum up. The recommendations that I have in your pamphlets are very simple. They're what we delivered to Minister Ramsay on November 1, with our coalition partners, mayors and chambers of commerce from across Ontario. They specifically speak to having to lower delivered wood costs. We put together recommendations that we felt you could deliver in the short term, because everyone would like to come to you and talk about their Christmas wish list or what they have to have if Santa was actually dishing out this year. We tried to be very realistic.

We're looking for you, in the 2006 budget, to implement in its totality the roads recommendation that was in Minister Ramsay's council report. So we need another \$60 million in the 2006 budget. I hear a lot of people saying, "Will it make a difference?" You've heard from I don't know how many companies, and the Premier has heard from how many individual companies, saying that they need to close the gap on delivered wood costs, and \$5 will at least make boardrooms think twice before they decide on where they're going to rationalize next. We should all want to make those boardroom discussions difficult. Right now, ladies and gentlemen, that's not a difficult discussion. If you're in South Carolina and you're looking at what mill you're going to close—bear in mind that the Bowater mill that closed today is not an antiquated mill. This isn't some 100-year-old mill that needed to go by the wayside. This is perhaps one of the most modern mills you have operating in Canada, and it's closed because it can't make money operating in this jurisdiction.

You should all be proud of the fact—

The Chair: We should move to questions now. We'll begin with the official opposition.

Ms. Lim: If I may—sorry, Norm.

Mr. Miller: Go ahead.

Ms. Lim: I have with me today the mill manager from our Tembec mill here in Timmins, as well as the mill manager from Kapuskasing, Terry Skiffington, who runs Tembec's Spruce Falls operation up in that community. If you don't mind, I'd like to call them here in case you'd

like to get into any specifics. They're prepared to answer your questions if you want to go into more specifics.

Mr. Miller: Thank you for your presentation. I've had the opportunity to talk with Terry before by telephone, but it's the first time to actually meet him face to face.

At the beginning of your presentation, you were talking about a crisis. Interestingly enough, I received an e-mail from a small operation in my riding of Parry Sound-Muskoka as you were speaking. It says:

"Dear Mr. Miller:

"Our industry is in crisis. What will it take for someone to notice? My husband and I operate a small forestry company in Huntsville. We have had concerns for a while now, and as these concerns become reality, we wonder what is going to happen in an industry that is largely being ignored." So I think the term "crisis" that you're using is probably right.

When I've asked questions of the Minister of Natural Resources to do with forestry, he says it's a global problem and that forces beyond the boundaries of Ontario are causing the crisis. I think you've clearly said that we're suffering more than other areas. Can you elaborate on that for me, please?

Ms. Lim: Across Canada, you can look at a province like British Columbia, which is obviously working in the same global market as we are, and they're faced with the same appreciating Canadian dollar, but they started addressing their BC factor issues about five years ago probably, and they've turned things around. They worked with their industry, and they're still working with their industry to turn those things around.

Globalization is something that we have always had at our door. It's not something that just happened this year. We have some of the most efficient and modern mills. I think, Terry, you always say that you're operating one of the most modern mills in the world; unfortunately, it's in the wrong jurisdiction.

I was going to say, Weyerhaeuser just spent \$350 million building a brand new mill in Kenora, a Trus Joist facility, the largest value-added mill in North America. That's huge. If you have the opportunity to tour it, you'd be blown away. It is so incredible, and yet they can't make money.

Mr. Miller: What about the minister's response to the forest sector competitiveness report? I ask questions, and the first part of his answer would be, "I think it's \$650 million we've invested." That's his response to the crisis.

Ms. Lim: Norm, I've got to be honest with you. In a crisis I've got to ask one thing of the three parties: You need to pull together. I need a single hymn page from government that's going to get us out of this crisis. When you look at a crisis, and I'm sorry that I used the term "tsunami," but, my God, when you have as many families as we do that are out of work, you have to wonder what it is.

We've worked very closely with Minister Ramsay. He has gone to bat for us. He has been a champion. He got us the first stage of funding announcements in September. Premier McGuinty, in a rhetorical question to himself, said, "Is there more to be done? Absolutely."

Mr. Miller: Are roads the number one thing?

Ms. Lim: Roads are number one. Roads are an immediate influx of cash that will help bring down delivered wood costs so that boardrooms can start seeing Ontario as getting back towards being competitive.

The second recommendation that you have in your packages is around red tape, streamlining red tape and process. But you have to understand, streamlining red tape and process—and I know I've heard from some MNR people that that's going to save us five to six bucks. I don't have one member company, I don't have one woodlands committee member who agrees with that number. You might realistically see a \$1 or \$1.50 saving and that'll be at the end of maybe 18 months, two years, but the immediate way to address core competitive issues like delivered wood costs is by uploading the roads, which was a recommendation in Minister Ramsay's report. Financial analysts sat in on that council—

The Chair: We'll have to move to Mr. Prue of the NDP now for his questioning.

Mr. Prue: I hate to waste your two guests here, although you're quite—

Ms. Lim: No, no, please.

Mr. Prue: Can you tell me about the mills in Timmins? I'd just like to hear a little bit about them. They're still open, so that's a good thing. How are profits? How are the numbers of workers? Have you had to lay any off? What's happening here?

Mr. Blair Sullivan: I'm from Tembec. Tembec, Domtar and Grant Forest Products are the predominant mills here in Timmins. All three are running. The two softwood ones are struggling because of the softwood lumber dispute. All of them are struggling under the high cost of fibre. Ontario is the highest-cost jurisdiction. I've worked in four different provinces and we can acclaim to that. The mills are struggling and we need to invest in them and modernize them to compete. Right now, we can't. We need to make a \$5-million investment in this mill in Timmins, which is small. That's minor. We cannot find that money.

The Chair: Sir, would you introduce yourself for Hansard?

Mr. Sullivan: Yes, Blair Sullivan with Tembec.

The Chair: Thank you.

Mr. Prue: Sir, yours?

Mr. Terry Skiffington: Terry Skiffington, vice-president and general manager for the Spruce Falls operations for Tembec.

Mr. Prue: In your mill, are you struggling too—same things?

1620

Mr. Skiffington: The Kapuskasing facility is a large newsprint facility and a softwood stud mill. The newsprint facility is absolutely struggling. We are at break-even levels, and we are singularly at break-even levels because of the price of electricity in Ontario. If we were in any of our competitive jurisdictions in Canada, we would be a solid, performing asset that would attract in-

vestment. It's a singular issue for us, and that's electricity price.

Mr. Prue: So yours is different from the others. Yours is electricity. The others were more the roads and how the money could be—

Ms. Lim: Delivered wood costs.

Mr. Skiffington: Exactly. We are a newsprint facility, so we are a consumer of residual chips from sawmills. So the primary wood cost issue flows through to the sawmills. We see a secondary impact because it drives up the cost of the residual chips in an attempt to recapture some of the cost back. We have a sawmill attached to our facility, so we get some efficiency there.

We also, in the newsprint sector, are very efficient in the consumption of wood. We use the least amount of wood to make our product in the sector in Ontario, but unfortunately the nature of the process is that it's very electricity-intensive. We have the most modern, state-of-the-art pulping operations in the world. The nature of those operations is, they use a lot of electricity. Electricity costs far overwhelm the efficiencies that we get out of our state-of-the-art assets.

The Chair: We'll move to the government.

Mr. Wilkinson: Jamie, you gave a compelling argument both personally and economically. We appreciate that.

Just getting to the specifics, because we're the people who have to talk to Minister Duncan—all of us. If the roads were uploaded, as proposed, I see that this idea about the high cost of fibre—I think you're showing road costs about \$80. The only place higher is northwest Russia. Is that \$80, given what we've already done?

Ms. Lim: No. Those charts, you should know, come from Minister Ramsay's council report, just so you have a reference.

Mr. Wilkinson: Right. I'm trying to get a reference, though, in my own head. If that's fully implemented, where does that \$80 go? In other words, to send a signal to the rest of the world, because that's your argument; you need to send that signal.

Ms. Lim: We use \$55 delivered-wood costs. The global average is \$35. We've been using an average in Ontario of \$55, depending on fuel—

Mr. Wilkinson: Okay, that's good, because Weyerhaeuser was here yesterday talking about \$55.

Ms. Lim: So if you upload the road recommendation in its totality, you put forward \$28 million in September and that \$28 million resulted in \$1.27 saving. If we use \$55 for the sake of the argument, it brought it down below \$54; right? If you bring forward the \$60 million more, for a total of \$88 million in uploading road costs, we will realize an additional saving of about \$2.70, I believe. It would bring us to almost a \$4 saving. Then the forest resource inventory that you took back in your September announcement resulted in about a 45-cent saving. So we're almost at that \$5 target.

There has been a lot of discussion in the halls at Queen's Park and in the offices about, "Is it \$90 million? We heard it was \$140 million and then we heard it was

\$120 million." We have done all the asking we can, and the number we come up with for that recommendation—100% primary roads and 50% secondary—is \$90 million. If you need to cap it, if you say, "It's two years and we'll review it," or once we get the red tape streamlined and if we do realize the \$5 to \$6 savings, then maybe we download again a portion of the roads, but we need to get past this time.

Mr. Wilkinson: A tipping point going the other way.

Ms. Lim: Yes, exactly.

Mr. Wilkinson: So that is really the core thing that we can recommend to the minister right away.

Ms. Lim: For the delivered wood costs.

Mr. Wilkinson: That is the issue, and provide that change, because it's not going to solve all those other problems that you have.

Ms. Lim: And we're not asking you to.

Mr. Wilkinson: We understand, and we appreciate that. So that's the key point there, and then we have to deal with the other things. Particularly, the industry is so efficient; they're really embracing a lot of the bio-energy and all of the potential that's there in this province, if we can move to that. Okay, that helps us a great deal.

The Chair: Thank you for your presentation.

Ms. Lim: You can check out our website, www.forestrycoalition.com. We try to keep it as up to date as possible. Then there's always OFIA, and also, you have my contacts. I work in Toronto Monday to Thursday, and if any of you ever want to meet with me—I know; we all have the same kind of work schedule—just give me a call. I don't mind meeting with any one of you one on one. Please remember, this is about all of Ontario; it's not about where you are today.

The Chair: This meeting is adjourned.

The committee adjourned at 1625.

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CONTENTS

Thursday 26 January 2006

Pre-budget consultations	F-105
Ontario Mining Association	F-105
Mr. Allen Hayward	
Porcupine Prospectors and Developers Association	F-108
Mr. Bill MacRae	
Timmins and District Humane Society	F-110
Ms. Lynn Michaud	
Parents of Dorans Road	F-113
Ms. Brenda Burey	
Porcupine Joint Venture	F-116
Mr. Dave Bucar	
Poverty Action Coalition of Timmins	F-119
Ms. Carol Wilton	
Temiskaming Federation of Agriculture	F-121
Cochrane Federation of Agriculture	
Ontario Federation of Agriculture	
Mr. Frank Haasen; Ms. Darlene Bowen	
Prospectors and Developers Association of Canada	F-124
Mr. Brian Polk	
Timmins Chamber of Commerce	F-127
Mr. Tom Laughren	
United Steelworkers	F-130
Mr. Roger Falconer	
Timmins Economic Development Corp.	F-133
Mr. Victor Power; Mr. Ross Troop	
Strovan Enterprises	F-137
Ms. Laura Laraman	
Timmins Police Service	F-138
Mr. Richard Laperriere	
Ontario Endovascular Aneurysm Working Group	F-140
Dr. Rod Willoughby	
Discover Abitibi	F-143
Mr. Robert Calhoun	
Ontario Secondary School Teachers' Federation, district 1	F-145
Mr. Tony Sawinski	
Ontario Forest Industries Association	F-149
Ms. Jamie Lim; Mr. Blair Sullivan; Mr. Terry Skiffington	



F-5

F-5

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Vendredi 27 janvier 2006

Standing committee on finance and economic affairs

Pre-budget consultations

Comité permanent des finances et des affaires économiques

Consultations prébudgétaires

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STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Friday 27 January 2006

Vendredi 27 janvier 2006

The committee met at 0904 at the Best Western, Cornwall.

PRE-BUDGET CONSULTATIONS

CITY OF CORNWALL

The Chair (Mr. Pat Hoy): The standing committee on finance and economic affairs will now come to order. I would ask the city of Cornwall to come forward. Good morning.

Mr. Phil Poirier: Good morning.

The Chair: You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Poirier: Thank you, Mr. Chair. My name is Phil Poirier. I am the mayor of the city of Cornwall. It's my pleasure, on behalf of my colleagues on city council, to welcome you to Cornwall. We are very pleased to have the committee in our area, to allow various individuals and organizations to be part of this pre-budget consultation process. I'm joined, on my left, by our chief administrative officer, Mr. Paul Fitzpatrick, and on my right, by our manager of financial services and our treasurer of the city of Cornwall, Mr. David Dick.

The Cornwall and area economy has suffered considerable negative news during the past 18 months, with industrial plant closures, layoffs and the associated effects throughout all commercial sectors as a result of less disposable income being circulated in our local economy and area. Given our current economic climate, and to assist with our economic renewal efforts, we have had a number of meetings with provincial officials, including the Premier and a number of cabinet ministers. An interministerial task force has been established to work with Cornwall on a number of issues. In addition, Mr. John Tory, leader of the official opposition, was in Cornwall recently to hear some of our concerns relating to provincial government matters, and we're very appreciative of that.

The city of Cornwall must deal with a number of challenges as it attempts to continue to deliver the services and programs its residents deserve and expect, while at the same time having limited means with which to generate revenue. Mr. Dick will be presenting a few of the most significant issues that the city of Cornwall would ask the committee to consider as part of its consultation process.

Mr. David Dick: Thank you, Mr. Mayor. I've put a number of slides together. I may not have time to go through all of them, but my attempt here is to go through what Minister Duncan presented to the committee. I looked at some of the economic forecasts the province put together and was trying to make some comparisons between the city of Cornwall and the province, and I wanted to make some contrasts between the city of Cornwall and the province.

These two slides really represent some comments Mr. Duncan made to the committee in talking about revenue growth and things like that, and where they spend their money, primarily in health, education and child services, which, coincidentally, is a significant portion of municipality's expenditures as well. They have deficits projected right through to 2007. Debt servicing represents about 11% of the total expenditure base. They talk about, on the positive side, unemployment rates decreasing to 6.1% in 2008. I'm just going to use those as the guideline, and I'll speak to some of those issues and to some additional ones. Those are just some graphs I took from the presentation the minister made.

One important one on this screen is that the province has included, in expected income from government enterprises, significant cash inflows from OPG. That's an issue that's dear to our hearts in Cornwall, because we have a power dam here, and in terms of some fairness issues, we don't think we're being fairly represented in the amount of money we're getting for OPG. I'll speak to that a little later.

In terms of the municipal economic outlook, one of the things I tried to do—I know you hear these same stories all the time, so I've tried to present here the level of growth that the city of Cornwall has experienced over the last number of years. It certainly is not staggering. In 2005, at the end of this current year, we expect supplemental taxes to be \$805,000. That's not all new growth that we experienced in the current year. We're expecting \$572,000 in 2006, and we're projecting \$600,000 for each for the next two years.

What I've tried to do on the bottom—you'll see that it's called "arbitrated wages." I've just taken those four services that we provide, net of provincial and county tax dollars, what it's costing the city taxpayer for wages for police, fire, our home for the aged and land ambulance. You can see that when we get past the current year, just those costs alone exceed our ability to generate new

wealth. We don't have a base of projected personal income tax growth or corporate income tax growth, as the province does. Really, the only new income we get is from assessment, and we don't have new assessment.

If you look at the bottom two bullets, our growth in 2006 is expected to be 0.85%, which probably generates, in our case, \$350,000 to \$380,000. The provincial average is 2.45%. In terms of our dollars, that would probably be \$1.3 million. So there's a significant difference between what we're getting and what the rest of the province is getting.

In terms of population growth, our population has in fact grown from 1991 by about 300 people, on a net basis. The provincial average is 19%; ours is 0.4%.

Some additional things: The province talks about declining unemployment or increasing employment rates. We've lost approximately 2,500 fairly significant jobs over the last 15 months, primarily 1,000 from Dometar. The impact on our disposable income is significant, and I'll show you a screen on that one.

0910

The province recently announced this new funding program called OMPF, and I'll speak just briefly about that. I know we have an audience with the finance minister in a few weeks, hopefully, and I'll give more details on the impact it has had on our finances.

I want to point out that we're not just looking for handouts; we're looking to help ourselves. We may need some more help, but we are helping ourselves. Downloaded services, I think, is one that you've probably heard at every conference you've sat in at.

Again, we've lost 2,500 jobs. If you look at this graph, we've conducted a study through this tax firm out of Hamilton, and their study says that out of 67 municipalities in the province representing 82% of the population, the city of Cornwall has the lowest per-household income. That's with Dometar in there. Once we take Dometar's numbers out of there, which are probably, and I'm guessing—the household income is probably going to raise that number to \$60,000. Once we take that out of that \$44,000, I would guess that we're probably going to be closer to \$35,000. The ability for us to afford to continue to pay for services is diminishing as we speak. Just to compare it, the maximum is \$95,000 and the average is \$67,000.

Funding imbalance is something that the province has been talking to the feds about on a continual basis, and I think they're talking about a funding imbalance of \$23 billion. The new OMPF formula that the province has provided—and I must say that it certainly is a help to the city of Cornwall. I am one who really likes this program because it recognizes those communities that have low assessments and it recognizes those communities that have high social service costs. We have both.

But if you look at the third line, which says "Entitlement," our entitlement based on the formula should be \$13,622,000. Because of this convoluted formula on capping, they're actually shortchanging us by some two million bucks. We're not getting it because there's a

formula that says you can only get so much more per household than what you had in 2004. There's a real flaw in that formula, which I presented to the Ministry of Finance. Basically, the response I got was, "Those are the rules. We can't change them." So the city is being shortchanged. Although our assessment is low and our cost of social programming is high, we're being shortchanged by \$2 million. It's a similar circumstance that the province keeps telling the feds about the \$23 billion.

Helping ourselves: We've established a brownfield program. We have invested \$250,000 of our own money into brownfield redevelopment. Because of the doctor shortage, we have established a fund of \$300,000 that's assisting us in acquiring not only relocated doctors, but it's also potentially providing a scholarship fund for doctors. We'll have the condition attached that they have to come and work in the community for five years after they graduate. We've established a renaissance program, which is really for improvements for residential units in our older downtown section. We have contributed about a million bucks over the last six years. New development is Heart of the City, which is to try to provide funds for rehabilitation of the downtown commercial properties. Our council has made a decision not to have development fees because we think that's a deterrent to new development.

Local service realignment: In the new formula, they don't say anything about the cost of land ambulance or public health. I know they talk about the funding going up, but based on my calculations, we've lost well in excess of \$1 million from provincial sources that now have to be picked up by the tax base, particularly land ambulance, and I know you've heard this one before. Where the province said it's going to be 50-50, our calculations suggest that the province is giving us 33.4% of funding for land ambulance and not 50%. What that means is that we've enhanced the level of service but it's all on the backs of the taxpayer.

The province inherited a deficit from the previous government, as we're all aware, so they suggest. We are not allowed to have deficits. The Municipal Act under section 289 doesn't allow municipalities to have deficits; we can't do that. So our options are either to take it from reserves, if reserves are available, or to cut programs. Unfortunately, that's what we've had to do over the last number of years. The capital budget that we've had is probably at the bare minimum. We can't forgo any more infrastructure needs, because it's going to be at a point where all the roads will be crumbling. We've tried to keep the minimum amount for operations, but because we can't go into deficit and we've made a choice not to borrow for operations, which I don't think anybody should do, that's the situation we're in presently. We make sure that our level of expenditures can be financed, and we try to minimize what our expenditures are, based on our level of revenues. I think sometimes other people budget expenditures first and then they say, "Okay, we'll find the revenues for it." That's increased taxation, which unfortunately at the municipal level we can't do.

The Chair: I just remind you that you have about a minute left.

Mr. Dick: I've got two slides left.

Policing: We have an international border, and it has never been recognized that we have a significant level of police costs here.

I mentioned we reduced capital.

The power dam is one that is fairly dear to my heart, certainly in terms of what the assessed value of the power dam is. In our calculations we've experienced a shortfall, since 2001, of almost \$39 million. Those are the numbers that we should be getting, and we've actually received \$229,000.

In conclusion, costs are rising at rates that exceed our ability to finance. Downloaded services are not being funded at appropriate cost neutrality, which is what the government of the day said when they were downloaded. Assessment and related growth are at levels far lower than the provincial averages. The issue of fairness, particularly the OPG issue.

Living within our means while providing appropriate service levels: We have our own fire, police and transit. It's an issue that we have to provide in our community, and we're finding that we're at levels we can't really afford to continue funding unless we get some assistance from the province.

That's it. Thank you.

The Chair: Thank you for your presentation. This morning's questioning will begin with the official opposition.

Mr. Tim Hudak (Erie-Lincoln): Thank you very much, Your Worship and Mr. Dick, for the presentation today. It's always nice to come to Cornwall, which I've had the chance to do many times before, but it's with sadness with the recent major loss of the Domtar jobs. I know that eastern Ontario, sadly, is a bit of a poster child for the loss of manufacturing jobs in this province. In 2005, approximately 55,000 well-paying manufacturing jobs left the province, and Cornwall was among the hardest hit of the communities.

It's good to hear that there are some meetings arranged. What we found frustrating, though, is, for example, the parliamentary assistant to the Premier himself describing communities like Cornwall that express their concern as crybabies. We find that kind of attitude highly unfortunate, and I'm surprised that he continues to serve in his capacity as the Premier's parliamentary assistant.

At any rate, in terms of the major issue that's before the city on the job losses and the impact on disposable income and the spinoffs in the community, what is the first best thing that the province could do to try to spur job creation in Cornwall and eastern Ontario?

Mr. Poirier: In relationship to your question, we are working collaboratively in regard to economic development with a regional task force. The one way that the province could help is a guaranteed sustainable level of income that is in fairness to what we deserve. If you were to take the OPG funding, for example, that would represent a fairness of \$8 million a year. Even if we were to

be halfway there, you can appreciate that that cost would then be relevant to the revenues that we need to offset the downloaded services.

Education tax is another one. We have one of the highest education taxes in the province. We did a calculation, for instance, that if we were to reduce the education tax by 25%, just in the middle, that would put us in the middle of the province. It would allow us to return to the businesses and the commercial establishments and put us in a more competitive position. Those are the types of scenarios that have existed, not just today, that we feel are unfair situations.

We have a loan with our downtown revitalization program, and we've asked for an extension of approximately 30 years. Simply speaking, it's a mortgage on a home and we're asking to extend the mortgage. If we extended it by 30 years, it would allow us to take an additional \$300,000. We still want to pay it back to the province, but that \$300,000 we would then plow back into the revitalization of our community. It's not a new item in the budget. It's not a line item that you would have to create.

Those are some of the issues that we've been putting forward to various ministers. Those are the types of things that we've made the task force aware of, under the leadership of Minister Cordiano, who is the chairperson of that task force, as well as others.

We're not really asking to reinvent the wheel or for a new line item or for new monies that are difficult to find—we can appreciate that—but just to consider some of the slides that you've seen here. Really, when you look many years back in history, it was owing to us in the first place.

0920

The Chair: Thank you. We'll move now to Mr. Prue of the NDP.

Mr. Michael Prue (Beaches-East York): If you were in the position not to cut any services—this is tax time—how much would you have to increase your taxes municipally this year to maintain the level you had last year? I know you may have to cut services instead, but if you were to maintain them, what kind of level of tax increase would the citizens of Cornwall be looking at?

Mr. Poirier: Right now—we'll be deliberating again on Monday of next week—to achieve a 3% tax levy over and above last year, we have to remove an additional \$3 million from our budget. In concert with that, the other impact that we're looking at is that the average assessment to the residents in our community is approximately 8%. For us to come back with a zero increase, we'd have to remove approximately another \$6 million. To do that, we'd be mandated to remove services and programming and have layoffs. And even at that, the ratepayer would still have an increase.

To come in at a municipal level with a 2% rate increase, taking into consideration the mandated collective agreements, cost of living and high cost of energy, 2% would be an acceptable amount. But if you compound that with the assessment, which is an average of 8%, the

average ratepayer or business will be looking at a minimum of 10%. That's where we're at. The mandated uncontrollable programs that we're faced with are just eating away at our revenue, and it just keeps going up. If we look at the cost of land ambulance prior to the province downloading it to us, the salaries have more than doubled, and we have no control over it.

Mr. Prue: In terms of the download and the upload, there have been many mayors across northern Ontario, where we've been in the last few days, talking about uploading many of the services. The big five, other than education, are child care, health, welfare, social housing and land ambulance. If they could be uploaded, what kind of a difference would that make to Cornwall?

Mr. Poirier: It would have a significant positive impact on our budget. We're talking millions here. Mr. Dick, did you have a comment?

Mr. Dick: I think the bigger issue is that the service you're getting is the best service you've ever had. I don't know that anybody wants to upload those services back to the provincial level. I think we want to continue to deliver them; we just want our fair share. If you look at land ambulance and the requirements the province instituted in terms of response times, they couldn't do it when they were running it. But now municipalities are expected to do it, so it costs money to do it. The service is being handled extremely well. It's just that we can't afford to do what the province is mandating us to do.

The Chair: Thank you. We'll move to the government and Mr. Lalonde.

Mr. Jean-Marc Lalonde (Glengarry-Prescott-Russell): Thank you very much, Your Worship, for taking the time to come up and address the committee this morning, knowing that you're really the mayor who is representing the whole of Ontario, because you're at the eastern gateway to Ontario when I look at this beautiful area.

You were saying that you lost 2,500 jobs over the past 18 months. When the ethanol plant is opened—let's hope it's going to open soon—and also the call centre, how many jobs will those two create?

Mr. Poirier: Mr. Fitzpatrick, please.

Mr. Paul Fitzpatrick: The ethanol plant is scheduled to create some 40 jobs. The call centre, Teleperformance, which was announced in November, is going to hire 650 people, of which 360 are already working.

Mr. Lalonde: They won't be at the same salary, though. There will be a big difference.

Mr. Fitzpatrick: The mayor talked about the manufacturing jobs, our community history as a manufacturing centre, but in the next few months, the three largest employers in Cornwall will be in the service sector: two call centres of 650 to 800 jobs each, and we have the Wal-Mart distribution centre with some 900 people here in our community. Like a good part of Ontario, we are definitely an economy in transition in terms of losing the well-paying manufacturing jobs.

Mr. Lalonde: My second question—I only have two questions, Mr. Chairman. You mentioned the education

tax. I'm pleased that you brought it up, because this area is paying four to five times more in education taxes at the industrial-commercial level than Parry Sound, for example. Surprisingly enough, when the previous government brought that up, it just happened to be that Parry Sound was in the former finance minister's riding. When I looked at the industries here, for every \$500,000 assessment, you are paying—if I'm looking at the Domtar plant, I'm sure it would range around \$150,000 more a year that you would be paying if Domtar had been in Parry Sound, or even in Oshawa, which is lower than here. I've always said—and our former finance critic, Gerry Phillips, brought it to my attention many times—you are one of the highest, after Brockville, in the province of Ontario. The only way that you could attract industries to this area is to look at the education tax.

Mr. Poirier: Just very clearly, to put in perspective the loss of revenue—what Domtar represents to our community—Domtar's payroll alone is \$80 million. So you factor in 2 to 2.5.

The Chair: Thank you for your presentation this morning.

PAUL CONNOLLY

The Chair: I call on Paul Connolly to come forward, please.

Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Paul Connolly: My name is Paul Connolly, and I would like to thank the committee for this opportunity. As a private citizen and as a past president of the Cornwall and Area Chamber of Commerce, I am alarmed at the high level of both residential and corporate property taxes within the city of Cornwall.

Moving here in 1996 from the province of Newfoundland and Labrador, I quickly discovered that my business property taxes were 500% higher than what existed in the previous location. It was the exact same type of billing and the same business. Residential taxes were slightly over double. At first, my frustrations were targeted at the city. However, I discovered, as you on the committee are aware, that a large portion of the city's budget requirements are due to downloading of services. A lot of what I am talking about here piggybacks on what the mayor and the city presented earlier.

As you're aware, property taxes are a major factor in the selection process of corporations when making decisions on where to locate or expand. Here in Cornwall we face the loss of Domtar; in fact, they've made that decision. As well, other industrial companies have also moved out. This, along with the effect on secondary businesses, will erode the tax base. Combine this with the real possibility of a population decline—and we have been stagnant for a long time—as people look to Alberta and other provinces for employment opportunities.

Without a change in how municipalities receive revenue, property taxes will continue to grow. At the same time, an aging population will require services more readily available in cities. We perceive that people, as they age, will move into the city in order to take advantage of health care, transit, etc.

I believe the province of Ontario needs to review its current funding formula in order to significantly increase the funding of required services at the municipal level. Secondly, the province should look at the school tax portion of property taxes as a way to further reduce the burden on residents and businesses.

In the province of Newfoundland and Labrador, a decision was made in the early 1990s to go to a one-school-board system. This decision provided for savings and efficiencies at a time when student populations were declining. Other provinces have followed this example. I believe, based on all current studies, that the province of Ontario should look at this.

Here in the Cornwall area we are currently rebuilding an elementary school and have recently completed the construction of a new Catholic high school. The cost for both projects combined is in excess of \$20 million. Projects such as these seem inappropriate when studies done by the Upper Canada District School Board show a steady decline in student enrolment. This study, combined with census information, reinforces the need for restructuring our current system. Combining school boards would certainly make better use of existing classroom space, as well as reduce administrative costs.

In summary, by taking a more supportive role in funding downloaded services and changing to a one-school-board system, property taxes can and should stabilize. Municipalities, especially those experiencing challenging times, such as Cornwall, can look to a brighter future. Thank you very much.

0930

The Chair: Thank you. We begin this rotation with the NDP. Mr. Prue.

Mr. Prue: I'd like to go, first of all, to the one-school-board system. We had some discussion on this yesterday in Timmins with one of the presenters. It has been the experience in many cities where school boards are amalgamated that in fact the costs went up, not down. Do you have any comment? That's what happened in Toronto, Hamilton, Ottawa. The costs went up, not down; the number of people working went up, not down; the administration went up, not down. Why would you think that this will reverse that trend?

Mr. Connolly: I can only conclude, based on my background, coming from another province, that it did create substantial savings in communities where there were often two schools, both being underutilized. It made sense to combine. There were administrative savings in the sense of fewer administrators that you would need to operate those schools and school boards. I don't have the facts and figures with me, but certainly when we were in the province, we were convinced that these savings were substantial.

Mr. Prue: The savings would come not so much from the administration but combining the kids in one school. I think that's what would happen. When you combine the kids in one bigger school, I guess there could be some savings. Have you talked to the parents about—because then you have to look at busing and you have to bring kids in from wider areas to a bigger school—whether or not the parents want that kind of thing? We've had a lot of resistance over that; a lot.

Mr. Connolly: And I suggest that there would be some resistance, but the reality of space that is available, and if we continue to build schools—there will be a need to replace and build schools as they age and population moves to various other areas, but quite simply, we should look at some kind of utilization and make it a more efficient system than what currently exists. I know the Upper Canada school board projects to have excess capacity of up to 35% within probably 10 or 12 years, and that has me concerned where we're building new schools.

Mr. Wayne Arthurs (Pickering-Ajax-Uxbridge): Mr. Connolly, thank you for being here. Just a comment: In my riding, both the public and separate school boards have jointly built new facilities such that they have separate secondary space but a lot of the common area is used jointly. They've scheduled their lunches so that they're not overcrowded; they take advantage of gym space and theatre space in this very large facility.

I'd be concerned about a single school board in Ontario, respectfully to Labrador and Newfoundland, with a population base something other than we've seen in Ontario and the ability to administer that across the province. I think it might be problematic.

The matter of the downloaded issues: I don't disagree. The mayor in particular commented on the commercial/industrial/education tax portion being in the high end—Mr. Lalonde also commented—of the province of Ontario and we should look to find some balances in various parts of the province where there are municipalities that are well outside the average. I think that's a good move to make. We're suffering still. We're suffering from—and people referenced the downloading. We're suffering from the downloading of the previous government. We have to not only fulfill the commitments that we've made but also try to get municipalities back to where they should be. It's going to be a bit of a long road and it's an uphill battle in many respects, but we're moving in that direction.

One particular area that I think the committee should be looking at when we get to our report-writing stage is the whole issue of land ambulance. Commitments were made that it should be on a 50-50 basis and we should be looking to get back to that and still respect the service level the municipality provides if it is far better than was being provided by the province when it ran the system.

The Chair: Do you care to comment at all?

Mr. Connolly: I would have to agree with the member. The issue of services being uploaded probably, in my opinion, is not the way to go. I simply think they

should be operated at the local level. I think there are efficiencies there. But clearly the funding needs to be there in order to make that happen. For the average citizen and clearly for businesses in communities such as Cornwall there's a growing tax creep that will continue to make it more and more difficult to be competitive. So anything the province can do, we would certainly support.

Mr. Hudak: Thank you, Mr. Connolly, very much for the presentation. I think a number of people will bring the case forward about a single school board system. I believe in choice for parents in education; the more choice that people have, I think the better quality results. But I do appreciate you bringing your point forward, and we'll look forward to the other presentations.

I think you hit it on the nose. The high level of taxation that businesses have to cope with here in Cornwall and across the province of Ontario, I believe, is one of the main reasons why we've seen some 55,000 manufacturing jobs leave the province, and probably some small businesses have not expanded or invested as a result. In fact, one of the first bills that Dalton McGuinty brought in was a big tax hike—the biggest in the history of the province—that now has Ontario businesses paying practically the highest rate of taxation of any western jurisdiction. I think Saskatchewan might be a little bit higher but is looking at lowering their corporate taxes.

How important do you think it is to lower the tax rate that we put on businesses and working families?

Mr. Connolly: I think it's absolutely critical. We're at the stage, looking at plant closings such as Domtar, where smaller businesses and those businesses that rely on payrolls coming from Domtar etc. will not take the opportunity to expand because their future outlook, if you like, isn't going to be there to say that the prosperity is going to grow from here. I think the concern is that sales and growth of businesses will flatten out or decrease and, at the same time, taxes will have to increase as the city needs to provide the services that they currently have.

Mr. Hudak: One of the proposals that the McGuinty government has bandied about is giving municipalities new taxing authority. The city of Toronto, for example, proposed taxing theatre tickets, alcohol, tobacco, parking lots and who knows what else; various and sundry new taxes. Do you like that approach? Should Cornwall have the ability to levy new taxes on its businesses?

Mr. Connolly: No, I don't. I personally think that the opportunity for Toronto—I know Ottawa was looking as well at trying to have its own ability to add taxes such as a hotel tax etc. In a community such as Cornwall, we don't have the average income that most other communities have throughout the province. It would be a burden on the citizens as well as impact the tourism aspect of this particular region. So I would not support that.

Mr. Hudak: Is there still time, Chair?

The Chair: About 30 seconds.

Mr. Hudak: A last question on hydro policy. One of the reasons we're seeing plants like Domtar and almost a

dozen mills in northern Ontario close down is the policy of closing down the coal-fired plants and seeing hydro prices going up. Do you have any comment on that policy?

Mr. Connolly: Certainly in terms of the province's hydro policy, we need some consistent source of reasonable energy. Until that's in place, I would suggest that this could make it more and more difficult for communities and businesses like ours.

The Chair: Thank you for your presentation.

ONTARIO SECONDARY SCHOOL TEACHERS' FEDERATION, DISTRICT 26

The Chair: The Ontario Secondary School Teachers' Federation, district 26, please come forward.

Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I'd ask you to identify yourself for the purposes of our recording Hansard.

Ms. Dina van den Hanenberg: Bonjour. Good morning. I'm Dina van den Hanenberg and I represent the Ontario Secondary School Teachers' Federation in district 26, Upper Canada. We represent over 1,000 public secondary school teachers, occasional teachers and professional student services personnel. Upper Canada District School Board is one of the largest school boards in Ontario. It covers quite a large area. Our district itself forms a horseshoe around Ottawa-Carleton. We reach from Almonte down to Gananoque to Brockville in the west, through to Cornwall and up to Hawkesbury in the east. So it's very large.

0940

We recognize, as does our provincial counterpart, that the provincial government has identified public education as a priority, and in doing so has announced several initiatives to help improve a system sadly drained.

In our rural settings, stable, long-term funding of these initiatives, which are important to all, will allow for the development of programs offering our youth the same opportunities for a productive and successful future as in the urban communities. Our students are, after all, Ontario's future.

In the written submission you will see that there are eight areas where we are looking for a review. We also include, which probably is rare in these submissions, two areas for savings. I believe all of these are important.

If we look at the first area, responding to inflationary pressures, we know that in the education system there are specific benchmarks identified relating to salaries, benefits, resources, school operations and construction. Unfortunately, they do not reflect actual costs but in many cases are averages taken across the province. So they do not take into account the inflationary pressures, particularly those occurring for benefit plans: the dental and medical plans that are involved in the bargaining of salaries and collective agreements.

Wellness plans and benefit plans are therefore constrained and limited by these shortfalls. So there is a need

for a more realistic method when the government updates the benchmark values.

The second set of priorities that we would recommend is pay equity. The Pay Equity Act was implemented in 1990. When the Upper Canada District School Board amalgamated in 1998, there was supposed to be the beginning of a resolution of pay equity. Unfortunately, our professional student services personnel, including psychologists, psychological associates, psychometrists and speech-language pathologists, have not yet been able to arrive at a pay equity resolution with the board.

The government needs to ensure that appropriate funding is directed to school boards to address pay equity costs in place that are over and above the current funding formula. The Pay Equity Commission on its part also needs to have the personnel and resources to facilitate agreements between school boards and applicable bargaining units in a reasonable period of time. Currently, timelines are so long that many times employees have not been with the board for over five years.

The third recommendation concerns staffing for school support. Since 1998, when the funding formula was introduced by the Tory government, the number of professional student service personnel has been reduced. This continues to be an area where school boards seek savings. Since this particular budget line is not benchmarked, it is often where school boards go to seek out savings.

Some community agencies duplicate the services offered by school boards, but these agencies raise issues of accessibility and affordability within our school board. Our board is large and primarily rural. Parents and students cannot easily travel to central areas where these agencies have their offices. School boards should be the dispensers of services to students and children. Their schools and work sites are locally accessible, and their personnel maintain continuity when working with our youth from early childhood to young adulthood.

Special education funding: Enrolment of special-needs students fluctuates annually; therefore, the funding related to special education needs to reflect the actual needs of the school board panel. Special-needs students actually enrolled in school boards are currently being funded based on data collected from the past five years. There is no true calculator built in that accounts for inflation for the subsequent years when these students need this funding. These students should have the best professionals to address their special education needs, and it is these professionals who are often stressed by the lower funding that is submitted to school boards.

The government currently funds students based on 7.5 credits per student. In our current school board, grades 9 and 10 students take eight credits. In some cases, they may have even more than eight credits if they take after-school music programs or are enrolled in some form of co-operative education program that relates credits to work done outside the school. The unfunded expense of these extra credits is teacher costs. Extra credits mean extra teaching or an increase in average class size. School

boards must make serious decisions, as they must maintain reasonable class sizes and hire teachers for these extra credits.

The government has also announced increased expectations in the number of students achieving a diploma. Again, successful graduation by a large number of students will require an increase in the accumulation of credits. This should be reviewed.

Of special concern in our area is continuing education for adult students. The previous government slashed funding for students over the age of 21 by 75%. Our school board has a very well developed adult education school, the T. R. Leger School of Adult, Alternative and Continuing Education. The school has a teaching staff comprised of regular day school teachers. They have campuses across the district, serving the urban and rural communities in eastern Ontario. Some of these sites are one-teacher sites, addressing the needs of small communities such as Winchester, Prescott and others.

Not only under-21 day school students—younger students—are covered or served by these teachers, but also many over-21 day school adults. The staffing is based only on the funding for the under-21 students. The over-21 students, therefore, are being served without taking into account the amount of money they are receiving, which is minimal. This of course leads to decreased services—larger groups of students being served by the one teacher.

With the government's commitment to providing students with the choices they need to be successful, it would be expected that the government will probably increase funding for students under 18. But the government needs to offer opportunities for these programs to students over the age of 18. It is important that opportunities to take programs such as OYAP—the Ontario youth apprenticeship program—co-operative education and other programs leading to the granting of secondary diplomas be offered to students over 21. We know that today your choices for work are very limited without a secondary school diploma.

It has been announced by the government that English-as-a-second-language programs will now flow from the Ministry of Citizenship and Immigration. We need this money to be directed to publicly funded school boards. Only the adult schools have the access and expertise needed for delivery of the entire continuum of adult education in Ontario. Within our board, again the T.R. Leger School offers over 30 site locations to encourage and accept immigrants who are coming into our community—we know that in Cornwall we are getting a larger community of immigrants who will need these services.

The Chair: You have about a minute left for your presentation.

Ms. van den Hanenberg: Thank you.

One of the other things that's important—and I'm looking at potential savings—is the reinvestment of money in public schools that could occur by elimination of the Education Quality and Accountability Office,

EQAO, which currently oversees standardized testing for grades 3, 6, 9 and 10. There are better and cheaper ways for the government to address curriculum and the productivity of our students. We are suggesting that the government look at that for savings that may be redirected to more funding in the schools.

The Chair: Thank you. This round of questioning will begin with the government. Mr. Lalonde.

Mr. Lalonde: Thank you very much for addressing the standing committee this morning. I believe you're from my area also.

Ms. van den Hanenberg: Yes, a long-time teacher.

Mr. Lalonde: I think John is your brother, a good hockey player in the past.

You referred to special education funding. We found out at one point, when we formed the government, that a lot of the money that was transferred to school boards had never been used. This is why some of the school boards were quite upset when we said, "You will have to send back that money to the government that hasn't been used."

You also referred to the Upper Canada District School Board. They were in real difficulties funding-wise when 16 young students were transferred from other areas who needed special transportation, special needs. The government hadn't transferred the money at that time. I hope this has been resolved.

Can you tell me right now if you feel that the school boards are managing the special education funding properly?

0950

Ms. van den Hanenberg: I must acknowledge that prior to the current funding for special education, our board was probably one of those guilty of storing and banking some of that money. Unfortunately, as a federation which represents some of the support staff who were not hired because that funding was not used as it should have been, we were very concerned about that. The government has addressed that, but it has not addressed the fact that in the benchmarks there is no specific funding directed to support staff. We know that in special education there should be a linking of students needing specific professional services to the professionals who offer those professional services.

Mr. Lalonde: So you are aware that that money was never used for any other purposes. They just put that in the bank and didn't use the money at all.

Ms. van den Hanenberg: Yes, for long-term range. I am aware that the board had done that. We were not supportive of that because we feel the money was designated for students and should have been used for services for students and should continue to be used for services.

The Chair: Thank you. We'll move to the official opposition.

Mr. Hudak: Thank you, Ms. van den Hanenberg, for the presentation today. We were in Atikokan and Timmins before venturing south to Cornwall. One of the issues we heard in the north was concern about the

funding for rural and northern schools. I understand the minister had made some commitment on improving that formula. Has the federation been informed of that, or do you know the status of that?

Ms. van den Hanenberg: Right now, particularly in our area, we have not been aware that it affects our area, even though, as I mentioned, Upper Canada is probably one of the larger school boards. It's equivalent to 18 times the Toronto school board's area, with only approximately 20 high schools, whereas Toronto has 114. So we're obligated to bus our students. I must support our board in the fact that they have joined with the Catholic board in a busing conglomerate, but it does not restrict the fact that the needs of busing are extreme in this area.

Mr. Hudak: But if the Upper Canada board didn't receive funding from the rural and northern adjustment—

Ms. van den Hanenberg: Oh, they have received some. But the problem is, because it's not designated, the inflationary costs, the cost of gas, are not directly related into that. We do not get the actual amounts of money that are necessary.

Mr. Hudak: One of the proposals the Minister of Education has boasted about is eliminating the right for students to get drivers' licences if they don't stay in school. In communities like Hawkesbury and many of the rural communities that you represent, does the OSSTF support that policy?

Ms. van den Hanenberg: We do support the government's initiative of school to 18. It has never been determined exactly to what extent the driving permits are going to be restricted. Is it going to be that they won't be able to get their permanent driver's licence? I can't speak to that.

Mr. Hudak: I just wonder, in some of the smaller communities that you represent, how you could practically apply that kind of policy.

Ms. van den Hanenberg: That's always a concern. One of the issues about rural students is the co-operative education programs. It's very difficult to find local employers who can support the co-operative education programs. But not all our students are able to drive, nor do they have the ability to have a car to drive, so having a driver's licence is not the major issue when it comes to their gathering credits in school. It may be if they have a job after school, or issues like that, but I know that we've always tried to accommodate students who don't have a driver's licence, so it's not something that I perceive at this time to be restrictive.

The Chair: Thank you. We'll move now to Mr. Prue of the NDP.

Mr. Prue: I'd like to go to the potential savings. You talked about the EQAO, and you said in your statement that there are better ways to deal with standardization and test scores. What are those better ways?

Ms. van den Hanenberg: Well, in the past—I've been an educator for over 30 years, and I can say that every 10 years the whole education system seems to be changing. When the EQAO testing came in, it was quite costly at first for implementation. I think probably

everyone has heard that a lot of the teachers teach to the test, prepare for the test. The actual reasons for this are supposed to be to monitor at what level our students are. There are better ways to do this. There are already international initiatives, which I have been involved in, as a science teacher. There's the international mathematics and science tests, which Canada does exceptionally well in since before the EQAO. The boards have always had consultants. There have always been subject councils to whom the government can turn for information as to curriculum reviews, as to the successful outcome, if you wish, of students in testing and literacy. Boards have always had their internal methods of identifying this. I do not think that the EQAO has brought forward any surprising information that was not already known.

Mr. Prue: You also talked about another potential saving, although I don't think you got to it, the Good Places to Learn, talking about P3s. Have there been any instances in this school board where the government has come down and encouraged or forced school boards to develop P3 plans?

Ms. van den Hanenberg: For the school board itself, no. There have been, though, recommendations that they should look for this. Again, in our school board, it is not necessarily an issue, which is why I didn't reflect it specifically. There are not very many opportunities for the private sector to come in and make money. We are an underprivileged school board. We are an area which has very little commercial richness for them to try to garner some sort of benefit by having a P3 organization. Not only do we feel that anyone coming in here will have difficulty and therefore the costs will increase dramatically over what is currently served by our board, but also it would be very difficult for our area to take advantage of this.

The Chair: Thank you for your presentation this morning.

QUEEN'S UNIVERSITY

The Chair: Queen's University, would you please come forward? Good morning.

Ms. Karen Hitchcock: Good morning.

The Chair: You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Ms. Hitchcock: Thank you, Mr. Chairman. My name is Karen Hitchcock, and I'm the principal and vice-chancellor of Queen's University. It's my honour to be here today to participate in the 2006 pre-budget consultations on behalf of Queen's.

As many of you are aware, Queen's is one of Canada's leading universities. Over the past year, we've been thinking deeply about the opportunities and challenges that we face in the next decade. It has become clear that Queen's, indeed all institutions of higher education, must be responsive to the needs of all of its communities, and also needs to be deeply embedded in

the society which supports it. In other words, it must be an engaged university.

Queen's is a diverse community with over 20,000 students from over 70 countries worldwide and with over 6,000 faculty and staff. We're also Kingston's second-largest employer and contribute over \$1 billion to the economy annually. As an engaged institution, we can and should contribute much towards the prosperity and well-being of our community.

1000

We strongly believe that post-secondary education has a critical role to play in building the future of our communities, province and country. First and foremost, our role is to nurture and develop high-quality students who will become informed citizens and contribute in multiple ways to society. Clearly, the province has recognized the importance of this role with their investment last year as a result of the Rae review. This investment was essential to rebuild the quality that had started to deteriorate in Ontario's post-secondary education system. It was really a wonderful beginning, and we're truly grateful for that investment.

As we look ahead, we see the need for continued investment in our educational system as the number of students continues to grow and the demand for graduate education increases, both from the flow-through of the double cohort and through the requirements of more advanced training, and partly to supply the expected shortfall in faculty to replace those who will retire in coming years. The Council of Ontario Universities has estimated that there is a shortfall of some 9,000 in the number of doctoral graduates needed simply to fill these retirements through the end of this decade.

The Conference Board of Canada reports that Canada could experience a shortage of some one million workers by the year 2020, and in some sectors that shortage is already being experienced. This is not a phenomenon particular to Canada. Retirement in North America is projected to accelerate over the next 20 years. This underlines what will be a growing need to replace our workforce with people with the necessary education and skills.

As a result, the province and the country must compete for talent. A paper recently released by the Association of Universities and Colleges of Canada noted that the demand for replacement of post-secondary trained workers is expected to triple due to upcoming retirements over the next 15 years, again highlighting the need for sustained and increased investment in post-secondary education if we're to compete with the best for the talented workforce that Ontario requires. We must make higher education a competitive advantage of the province.

In addition to educating a sophisticated and versatile workforce, universities also contribute to the economic vitality and quality of life of Ontarians. Indeed, universities, through their programs of research, such as those at Queen's and many other universities, play a significant role in addressing major societal issues. For example,

issues such as clean water, the spread of viral and bacterial disease, and healthy lifestyles are highlighted in the press with increasing frequency and have brought into sharp focus public health issues facing the province.

The Ontario medical officer of health, Dr. Sheela Basur, recently released her annual report on the state of public health in the province and highlighted the tremendous need for additional human resources and training in this area. She noted that of 36 public health units in Ontario, only 12 were staffed by full-time, properly trained medical officers of health, highlighting the need for new programs to train and support public health professionals.

Queen's has provided expertise and talent to assist the province as it develops responses to public health issues, and we recognize the need to act as a strategic resource in this area. In addition to our dean of health sciences, Dr. David Walker's, leadership of the expert panel relating to SARS, a research program at Queen's led by Dr. Kieran Moore has led to the development of a public health surveillance system that was key in identifying the source of a food-borne salmonella outbreak in bean sprouts in the province last year.

Resources of both colleges and universities need to be enhanced to educate professionals in the front line of response to major public health issues, but also to support research which will allow us to address such critical public health crises as pandemics and bioterrorism. To address this provincial, and indeed national, priority, Queen's is investigating ways that it can draw on its strengths in the areas of population and public health to establish an institute of population and public health which could collaborate with other universities, colleges and government agencies. Such a coalition could position Ontario as the national leader in public health.

Another area in which universities can contribute is as a catalyst in growing regional economies. The Institute for Competitiveness and Productivity has outlined the correlation between the economic performance of jurisdictions and post-secondary education. In their 2005 annual report, the institute stressed the need for continued and increased investment in post-secondary education to bring Ontario into line with peer jurisdictions and to ensure future competitiveness.

Queen's is a research-intensive university and, as a result, can create commercialization opportunities that can benefit the community and serve as a catalyst for economic growth. Commercialization of research is about developing discoveries into potential new products and processes and then helping to support the companies that will bring these new products to market. This is a labour- and resource-intensive process requiring multi-sector support. University, government and private sector investment is necessary if Ontario is to be competitive in the future.

At Queen's, we are very fortunate to have PARTEQ Innovations, a not-for-profit organization that provides Queen's researchers with business and financial expertise to advance their discoveries to commercialization. Since

its inception, PARTEQ has returned more than \$20 million to the university and its inventors and has assisted in the spinoff of 38 companies. PARTEQ now has in excess of 220 patents in its portfolio. But for the province to realize benefits from such early-stage commercialization, these new companies must be supported in cost-effective and creative ways. For instance, a continuing challenge is the need for an environment to nurture start-up companies and to support them through the crucial early stages of commercialization and product development.

Other regions of the province and other jurisdictions across Canada have been successful in the development of multiple university-related research and innovation parks. In fact, we applaud the province's most recent investment in the McMaster Innovation Park. We believe that there should be a network of such incubators to provide that very support across the province, and that the southeast region of Ontario needs to be part of that network. Indeed, at Queen's we are in the early stages of planning just such a facility that would complement the work of PARTEQ and help to keep new businesses in our region.

In closing, I want once again to thank the government for its significant investment in post-secondary education announced in last year's budget. We believe that this was an excellent beginning and allowed universities and colleges to start to make up the shortfall that had been experienced in this province during the last 10 years. However, to expand and grow post-secondary education to compete for talent with the best in the world, we must continue to seek ways to innovate and to invest in post-secondary education. We must also target areas of particular importance to the province, such as public health and the support of early commercialization and university-business partnerships. In doing this, we'll keep the future of our children and Ontario's quality of life in focus.

Mr. Chairman, this concludes my remarks, and I thank you again for this opportunity. I'd welcome any questions.

The Chair: Thank you. We'll begin with Mr. Prue of the NDP.

Mr. Prue: An excellent presentation.

In terms of the amount of money that the government gave last year, you have not been at all specific, and I know it's probably difficult. What kinds of funding are you actually looking for? You got a fair amount last year. How much more are you looking for?

Ms. Hitchcock: The \$6.2-billion investment was just a marvellous, marvellous beginning. Part of the issue is that we are looking at making up lost ground. Once one calculates the number of dollars to universities and colleges across those years, we're really looking, at best, at keeping up with inflation. In the Rae report, they spoke of a stretch target that would bring per student funding not only up to Canadian averages, but up to North American jurisdictions. When we started this, as you know, the investment per student in Ontario was the

lowest in the country. Again, the \$6.2 billion will be a tremendous start towards making up the erosion due to inflation. So we would need a like investment going forward if we were to pull ahead and have Ontario rank at least at the average of Canada, if not North America.

Mr. Prue: So for us to take a role that I think we would all aspire to, it's about another \$6 billion.

Ms. Hitchcock: It would take that over the next decade, I think, to reach the targets we're all looking at.

1010

The Chair: We'll go now to Mr. Hudak.

Mr. Hudak: Ms. Hitchcock, I do apologize; I had to grab my research material. I'm sorry about that.

Ms. Hitchcock: Not at all.

Mr. Hudak: On the topic of tuition, some argue that if there is a deregulated tuition environment or if tuition rates aren't strictly controlled, institutions like Queen's that have an excellent reputation would just become institutions for the privileged; that other students would not be able to attend Queen's. What's your advice on tuition policy?

Ms. Hitchcock: I think the whole issue of tuition deregulation is couched perhaps in too narrow a way. I like to think of it as access. You really can't speak of tuition policy without looking as well at student assistance. Queen's is a leader in the province, if not the country, in the percentage of our operating budget that goes to student assistance. We're deeply committed to access, so as one looks at the contribution of the student toward the education they're receiving, one also has to look at accessible programs for people from socio-economically disadvantaged backgrounds. So we would be increasing our bursaries with any increase in tuition.

Mr. Hudak: Was Queen's successful, as tuition rates have risen in recent times, in maintaining access for families of low and modest incomes?

Ms. Hitchcock: We have been successful. Have we succeeded totally? Can I say that every single student can have the resources provided to go? We're not there yet, but we're getting very close. Our goal is that no student qualified for attendance would not come because of financial constraints.

Mr. Hudak: I was a Western graduate, although I have a lot of admiration for Queen's—I wouldn't want to admit that publicly, but now that's on the record, isn't it?

I did have a chance to do my graduate work in the States, and in the States they have an option of going through a public university or college system. There's also a parallel private system for post-secondary. We don't really have that to the same extent in Canada. What do you think about a little competition in the system, allowing for private universities?

Ms. Hitchcock: Well, I think how one defines "private" is interesting. If you look at some of the private institutions in the United States, they receive quite a bit of government funding. The public universities in Canada receive quite a bit of private resource now, and I think that can be enhanced. You look at the funding, I think, of education as a partnership: a partnership of

government very much as a public institution, as well as students and their families, as well as the private sector with regard to philanthropy. Private institutions in the United States survive in their operating budgets because of revenues from their endowments. To convert an institution in Canada to be a private institution would take an endowment that would generate, at Queen's, \$262 million a year. That's a huge endowment. It could happen over time, but there's no pure public or private, is what I'm trying to say. It is a partnership of resource. So I think institutions in Canada need to be very aggressive in finding resources in addition to government resources so that institutions will have that margin of excellence for all their students.

The Chair: We'll move to the government.

Mr. John Wilkinson (Perth—Middlesex): It's good to see you again, Dr. Hitchcock. Some of us on this committee are remembering that we went through a process of hearing about the Rae report and the deputations from post-secondary, and to see that starting to be implemented is encouraging for us on this side of the fence.

My first comment would be, thanks so much for hiring our former colleague Sean Conway. We appreciate that.

Ms. Hitchcock: We're delighted to have him with us.

Mr. Wilkinson: He's providing good publicity for Queen's right across this province, and at Queen's Park particularly.

In the bigger picture, as you attempt to recruit, not students but particularly teaching staff—and you were talking about the challenges that you're facing—has the announcement last year given you cause for hope, or do you see benefits now that researchers who are looking at it can go to almost any university in North America, decide that they need to be in Ontario, and Ontario is a place where post-secondary is starting to be celebrated? Are you getting the advantage of that?

Ms. Hitchcock: Very much so. At a time when in many jurisdictions across North America we've been moving through a time of disinvestment, to see a province step up when there are so many competing issues in any jurisdiction for resource and say, "Education matters," has been a very important signal. So we are seeing a responsiveness and an interest that is very gratifying.

Mr. Wilkinson: My second question is, when we were looking at this before, and of course the proper balanced role of private interests and particularly in commercialization of research, universities and many people have thrown up a cautionary flag about that. You were talking, in your previous response to my colleague, about how it really is a partnership, that there is a role. What are the steps that you take at PARTEQ to make sure that your academic independence is maintained, though you are partnering with a lot of commercial interests?

Ms. Hitchcock: It's such an important question. The way one approaches it is to keep our mission in sight and in focus at all times. That's the free dissemination of information, the unfettered dissemination of information.

It's the fact that students and faculty can pursue research in keeping with their curiosity and talents, not an agenda of another agency. So when we write agreements with industry partners or private companies, that is right up front, part of the parameters of the agreement, that indeed publishing will occur; publishing will occur under normal university procedures. Most industries that we partner with understand that. It's an understanding from the beginning. So as long as we keep our eyes on what we're about, those partnerships can flourish.

The Chair: Thank you for your presentation this morning.

Ms. Hitchcock: Thank you very much.

ONTARIO FEDERATION OF ANGLERS AND HUNTERS

The Chair: I call on the Ontario Federation of Anglers and Hunters to please come forward.

Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questions following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Greg Farrant: Good morning. Thank you, Mr. Chair and members of the committee. My name is Greg Farrant. I am the manager of government relations and communications for the Ontario Federation of Anglers and Hunters. With me this morning is Andy Houser. Andy is the former director of fish and wildlife for the Ministry of Natural Resources, and now works as an adviser to the federation.

On behalf of our federation, our 81,000 members and 630 member clubs across Ontario and indeed on behalf of the 1.5 million licensed anglers and hunters across Ontario, we appreciate this opportunity to provide you with our views and suggestions for change that will hopefully assist with the government's efforts to strengthen Ontario's economic advantage and improve the health of all Ontarians.

Our comments today, both because of time constraints and our focus as an organization, will pertain strictly to the Ministry of Natural Resources, of which we are the largest stakeholder. We will focus primarily on their fish and wildlife programs. It's not our intention to give you a thorough review of the document that we presented to the deputy minister and minister in December 2005, but we'd be pleased to provide you all with a copy of that document if you wish. Andy will give you a quick review of where MNR funding stands at present, and identify what, in our opinion, is needed to stop the erosion of the ministry's ability to fulfill its mandate. We recognize that every ministry has been subjected to ongoing cutbacks and rationalizations, but in the case of MNR these constraints have resulted in staff no longer being able to do their jobs or, in some cases, even turn the lights on.

We're primarily here to outline our concern over the funding crisis with MNR's fish and wildlife programs, but we also want to bring you some constructive suggestions for change that could result in long-term

sustainable financial solutions and restore the funding base for MNR fish and wildlife programs to acceptable levels, a commitment that was made by the Premier during the last election. It's important to note, in the context of these remarks, that increased funding for fish and wildlife programs cannot come from internal constraints or other MNR programs, but must be addressed through the infusion of new dollars.

Without delay, I'll turn it over to Andy.

1020

Mr. Andy Houser: Good morning. We've conducted an in-depth analysis of the ministry's fish and wildlife program with the assistance of staff. Based on that review, we are convinced that in fact the fish and wildlife program is truly entering a crisis situation. That crisis is not the result of mismanagement; it is not the result of organizational or administrative inefficiencies. Quite the contrary, it is simply the result of inadequate funding for the program.

This is a serious concern. Fish and wildlife are immensely valuable resources. They provide significant economic, social and environmental benefits to the province. By the government's own figures, over six million of Ontario's 12 million residents and over half a million visitors to the province each year actively participate in some form of fish and wildlife-related recreational, tourism or commercial activity. The economic contribution is in excess of \$6 billion a year. The number of jobs supported is over 77,000; in fact, most estimates place it at over 100,000 person-years of employment annually.

Ontario supports the largest freshwater commercial fishery in the world, the largest bait fish industry in Canada, a growing aquaculture industry and the largest fur industry in Canada. Fishing, wildlife viewing and hunting are an integral part of our culture, our heritage and our economy. Of course, fish and wildlife themselves represent a very important part of the natural biodiversity of this province and any efforts to maintain biodiversity and maintain resource sustainability and to protect ecosystem integrity.

To properly manage the province's resources is not an open-ended requirement in terms of dollars. It's estimated that a sound fish and wildlife program which will ensure that biodiversity objectives are met, as well as we continue to see the benefits we have seen in the past, requires about \$120 million annually in 2006 dollars. That's about \$115 million of salary and operations and \$5 million of capital. That's a very conservative and realistic estimate, based on the size of this province. It depends upon maintaining the efficiencies we've seen develop over the last number of years, as well as strengthening of partnerships.

While the need is about \$120 million annually, the base fish and wildlife budget in 2005-06 was about \$73.4 million plus \$4 million capital, so about \$78 million versus the needed \$120 million. This is inadequate to meet the objective of the government to properly manage fish and wildlife resources in the province. In fact, as a

result of the ongoing effects of inflation, spiralling energy costs and salary awards, staff are unable to do the most basic of fish and wildlife management within base budget. They are not doing inventory. They are not doing assessment. They are not doing on-ground management within base budget because the dollars are not there. They've become dependent upon the vagaries of special funding.

In 2005-06, that special funding included \$8.2 million of Canada-Ontario agreement funding—COA—very, very important to the management of the Great Lakes and the meeting of international commitments, but it does little for the off Great Lakes area of the province. There was \$2 million in special funding for raccoon rabies—very important for public health and welfare, but does little for the sound management of wildlife across the province; and \$5 million for the bear wise program, the management of nuisance bears. Effectively, for most of the districts in the province, the only operational funding they had was managing nuisance bears.

As most of you are probably aware, much of the fish and wildlife program is in fact user-pay. Since 1995, there has been a special-purpose account. All revenues, licences, royalties and fines from anglers, hunters and commercial operators have gone into a special-purpose account which largely funds the program. That fund in 2005-06 provided 80% of the base funding for the program—even including special funding, which represented about two thirds of the total funding for the program.

Revenues have increased substantially since 1995, when the special-purpose account was introduced. In fact, it's increased by almost 50%, from around \$40 million annually to about \$60 million annually. That increase has been not reflected in an increase in the size of the program, because at the same time the contribution by the consolidated revenue fund has been decreasing. From 2001 to the present alone, it has decreased by \$8 million, so growth of the program has not been possible. This is disturbing, because in fact the five million Ontario residents who actively enjoy fish and wildlife but aren't necessarily hunting and fishing—their only contribution to the program is through the consolidated revenue fund. Their interest is increasing, their demands for sustainable resource use and their demands for biodiversity maintenance are increasing, but their contribution is decreasing.

As we enter 2006-07, we are truly hitting a crisis situation. The fish and wildlife program budget has been flatlined, we understand. That means they will be trying to deal with substantial salary award increases because of a major award to biologists. It's expected that the salary costs of the fish and wildlife program will increase 5% per year over this next collective agreement. They have high energy costs—those are spiralling, as you're well aware—and inflation increases.

Increased cost within a flatlined budget has the effect of constraint. That constraint cannot effectively be applied against salaries; it has to be applied against the

operating budget. In the case of the average district, the effects of salary awards, increasing energy costs and other costs has the effect—a 5% to 10% increase has the effect of reducing operating budgets by 30% to 60%. In other words, districts that already have staff who can't attend meetings, can't do basic inventory and can't do assessment are going to see their operating budget cut further by 30% to 60% to meet these increasing costs.

In the hatcheries, a 5% to 10% increase in costs within base probably results in a 40% reduction in the number of fish produced. In the case of the Great Lakes, a 5% to 10% increase in costs within base reduces operating by about 25% if we lose COA, as is possible next year, because this is the last year of the COA agreement, and who knows what will happen after that? We could see a 75% to 80% reduction in the operating costs on the Great Lakes. Again, inventory won't be done, assessment won't be done, enforcement won't be done and international commitments won't be met.

The OFAH is very pleased to be working with the ministry trying to find further efficiencies and trying to find further partnerships and build, but tinkering with these kinds of changes is not adequate. There need to be additional dollars brought to the base program and to special projects.

I'll turn it back to you, Greg.

The Chair: You have about a minute left for your presentation.

Mr. Farrant: We'll just leave you, then, with our four recommendations as a final point this morning:

(1) The government should increase program funding by at least \$25 million, consistent with its election commitment to ensure that MNR once again has the resources it needs to "properly manage Ontario's fish and wildlife."

(2) The government should stabilize the CRF contribution to base program and special funding, which is presently \$35 million, including capital.

The next two recommendations we recently provided to MNR senior staff. If implemented, they would help achieve the funding requests outlined under (1) and (2).

The first is the creation of a biodiversity endowment fund. The province has about 9.7 million registered vehicles and 8.5 million drivers. The province should create a biodiversity endowment fund through the establishment of a \$3 fee blended into the cost of registering a vehicle in Ontario, which would be collected on an annual basis as part of the renewal process. The additional fee should be directed into a biodiversity fund created as part of the special purpose account administered by MNR. The fund would offset the shortfalls within the fish and wildlife program and benefit all residents of Ontario and future generations by the sound management and protection of our natural resources. The fee would represent about a \$30-million annual increase. Trucks and buses could be assessed a higher fee if necessary. The key to the proposal is that the funds must be dedicated specifically to the sustainability of our valuable resources and be controlled by MNR through the SPA and not diverted to consolidated revenue.

The last recommendation relates to the creation of a biodiversity/natural resources lottery. As you all know, lotteries—this one in particular—could be a scratch-and-win type of ticket. Dozens of these exist across the province for a variety of charities and are administered either through the Ontario Lottery and Gaming Corp. or the Trillium Foundation. All conservation organizations, including ourselves, who sit on the biodiversity council, would be supportive of the suggestion for raising funds through these respective organizations. Again, it must be earmarked through the SPA.

We'll continue to look for other opportunities to bring to the province to help offset the loss of revenue due to constraints and assist the government to fulfill the Premier's promise to restore MNR's credibility once again.

In closing, I would remind the members of the committee that despite the fact that anglers and hunters are paying about two thirds of the entire \$95-million annual fish and wildlife program budget, everyone in Ontario benefits from healthy fish and wildlife populations. After all, a healthy environment equals healthy people and a healthy economy.

Thank you, Mr. Chair and members, for allowing us to appear before you. We'd be pleased to answer any questions you might have.

1030

The Chair: Thank you. We'll begin this round with Mr. Prue of the NDP.

Mr. Prue: Thank you for your presentation, and particularly for coming up with a couple of ways of finding additional funds. I have to ask you about those additional funds. Do you think they would be well received? As politicians, when you say, "Your licence on your car is going up by another three bucks," we run into a stone wall on occasion, especially with people who don't think that the \$3 for wildlife management is a good thing.

Mr. Farrant: I'll try to answer that. Maybe Andy has a different take on it than I do. If it's to go directly to natural resources—and we're not just talking about natural resources that benefit anglers and hunters; we're talking about parks, ecosystems, rehabilitation programs, stream rehabilitation, fisheries habitat, fisheries stocking programs, all sorts of programs. There are certain wildlife stocking programs in this province where there is no hunting, elk being a good example. It's illegal to hunt elk in Ontario, but we participate in the elk regeneration project. These five million people Andy spoke about who canoe, hike, bird-watch, camp and whatnot generally do not put a lot into the natural resources of this province but they enjoy the benefits.

With the creation of a new ministry under this current government for health promotion, it seems that people in Ontario recognize the benefits that we achieve and accrue from our natural resources. I certainly think that our members on the biodiversity council, who represent a broad range of organizations across the province interested in the conservation of natural resources, would be

supportive of this. I recognize, sure, that any time you increase a fee there is some backlash against it, but this is a fee that would be applied equally to all residents across the province who drive or own a vehicle. So it's not exclusive to one particular group. You're not targeting one specific group that is going to be disadvantaged over another. So we felt that this had some credibility, and MNR senior staff certainly were keen on the idea.

Mr. Prue: I've only got a little bit of time left, so I just want to get into the hatcheries, because I've been very disappointed with fish-stocking over the last number of years. I read in the paper—I don't know whether it's true—that Ontario may not be stocking salmon in Lake Ontario next year. I can tell you, with the degradation of the fish stocks in southern Ontario—in the Kawarthas, in popular places where I like to go fishing—it's pretty hard these days to catch any decent fish, because they're gone. I don't understand why this cannot be done. Every year I look to see hatcheries increasing. We could be the envy of the world again in terms of our fish, but every year they seem to be going down and down.

Mr. Farrant: You're quite correct. I'll let Andy speak to that in a second. The one point I want to make, just to let you know, is that the Ontario Federation of Anglers and Hunters has not rolled this program out, but in this calendar year we'll be instituting, in co-operation with a major winery in this province, the LCBO and MNR, a major Atlantic salmon restocking program for the Great Lakes.

Andy, you may want to speak to the specifics of the hatchery decrease.

Mr. Houser: I think the key is that the hatchery program, like the rest of the fish and wildlife program, has been trying to cope with the inadequate funding, a total of about \$78 million base with some specials, versus the need of \$120 million. Within that, they have had to cut back in every area. Hatcheries are definitely being cut back. As we look to the coming year, unless there are more dollars made available, there will be further cut-backs in the hatchery program, and even with those fish that are produced, the districts and Great Lakes are going to be very hard pressed to plant them, because the money is not there.

Mr. Farrant: I think 40% is the reduction in the capacity of the hatcheries because of constraints.

The Chair: We'll move to the government and Mr. Wilkinson.

Mr. Wilkinson: Mr. Chairman, I'll share my question with my colleague, my neighbouring member.

First of all, it's good to see you again, Greg and Andy. Thanks so much for coming. The OFAH is a valuable resource for me as an MPP, and particularly those of us from rural ridings as we grapple with these issues.

There are two things that I wanted to bring up briefly. I think it is very important that you get in front of this committee to talk about this issue. I know Minister Ramsay is a great minister in this regard about promoting this. We always have budgetary constraints, but I think it's important to get this message out to our colleagues.

Can you just briefly talk about the increasing role now of the federal government, the DFO? There's overlapping jurisdiction, I think, as they come more to the fore. Is there some way that we can coordinate better? Because it seems to be an increasing frustration. I know in rural Ontario we seem to have two levels of government, staff who are going between the two levels of government trying to do the same thing, and it seems to be following the resources. Of course, they're the guys with the surplus.

Mr. Farrant: In the case of DFO in Ontario, DFO has actually abdicated much of its responsibilities for natural resources in Ontario. They do have the jurisdictional responsibility for waterways, but through an agreement with MNR they cede that responsibility. In fact, in the last year DFO nationally has indicated that all of its enforcement officers in Ontario will be cut—all of them. They're going to leave five to cover the entire province, to deal with the DFO issues. It's more an oversight thing, as opposed to an enforcement thing. We have pressured the federal government very hard on this, because the impact that this could have in Ontario is quite severe.

Mr. Wilkinson: So they walk away, but there's no money to replace that.

Mr. Farrant: That's correct.

Mr. Wilkinson: But they have their responsibility.

Mr. Farrant: That's correct.

Mr. Wilkinson: Thank you.

The Chair: You have to be very, very brief.

Mrs. Carol Mitchell (Huron-Bruce): I'm just looking for a clarification on the total ask. I'm sure you've done some projections on number 3 and number 4. What I'm trying to get to is the number that you feel it will take in order to meet the needs in all of our communities to make sure that the MNR stays strong—not only our fish stock but our wildlife, our ecosystems. I see projections, but what I'm looking for is the total number that you feel is needed, be it through a \$3 fee, be it through a lottery ticket.

Mr. Farrant: A hundred and twenty million.

The Chair: Thank you for your answer. We'll move now to the official opposition. Mr. Hudak.

Mr. Hudak: Greg, Andy, thank you very much for the presentation. I appreciate your making the drive here to Cornwall as well.

We obviously feel that if the government makes a commitment, they should live up to it. You highlight a Liberal campaign promise to the effect that they would fund MNR to allow it to—I forget what the exact quote is; I should have circled it—live up to its expectations. Was there a number that was attached to that?

Mr. Farrant: No, the Premier did not give a number. He just made it clear that he recognized especially that the Auditor General had been extremely critical in 1998, 2000 and in subsequent years of the cutbacks in MNR and its ability to continue to manage fish and wildlife in this province. He made a commitment during the election campaign to us that the government would work towards bringing MNR back to where it used to be. In fact, if you

want to look at the model that was ideal for MNR in terms of funding, where it was and its ability to manage the resources—and this is not a political comment, because we're non-partisan, so please don't take it as that—during the Peterson years is when the ministry was at its ideal funding level, back in the late 1980s. A return to that is what we're looking for.

Mr. Hudak: So have they lived up to Dalton McGuinty's campaign commitment?

Mr. Farrant: The Minister of Natural Resources, as Mr. Wilkinson has indicated, has worked very diligently to try to restore the integrity of the ministry, and full kudos to Mr. Ramsay. The federation works very closely with the minister, and we've been very pleased with the support that he has given us to date. But the minister, of course, is subject, as are all ministries across the board, to an overall budget and an overall budget package. Thus far, the infusion of dollars into MNR has not materialized; it's going the opposite way.

Mr. Hudak: I think Andy was the one who talked a bit about the bear wise program. He had some concerns about the effectiveness of bear wise. Any further comments on that?

Mr. Houser: Right at the present moment, the bear wise program of \$5 million in many districts is about the only operational funding they have. They have their base program, but it's only enough to keep the lights on, so the only operational funding they have is bear wise. I don't think anyone believes that bear wise is the most effective use of all of their time and energy. They need to have the money to do resource inventory and resource assessment, and to do other on-ground management.

1040

Mr. Hudak: Is there a better way to spend that \$5 million?

Mr. Houser: I believe so.

Mr. Farrant: For instance, enforcement: In many districts across the province now, the conservation officers—not only are their ranks probably lower than the number that's ideal, but that's not something that has happened within the last couple of years. This is something that has been a long-term trend. In many respects now, because of the lack of operating dollars, conservation officers are no longer able to go on routine patrols and carry out routine assessments; they are to respond only on complaint. So quite often you'll find them sitting in the office instead of being in their vehicles. This is because of fuel costs, constraints at local levels and the inability of local district offices to even send people into the field unless it's in response to a specific incident.

Mr. Houser: So the money would be better spent in those areas. The fact is that in the past there were greater revenues both in licensing and otherwise coming in from the bear hunt. The total amount of money that was being spent on bear management was probably in the order of \$400,000 annually. Now those revenues are not coming in. We're spending in the order of \$5 million.

Bears have been, in many cases, reduced to vermin. We need to be looking at better management of black

bear, and we need to be making better use of those dollars.

The Chair: Thank you for your presentation this morning.

Mr. Farrant: Thank you, Mr. Chair and members. We appreciate your time.

STORMONT, DUNDAS AND GLENGARRY LEGAL CLINIC

The Chair: I'll call on the Stormont, Dundas and Glengarry Legal Clinic to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Etienne Saint-Aubin: My name is Etienne Saint-Aubin. I'm the director of the Stormont, Dundas and Glengarry Legal Clinic, clinique juridique.

Ms. Bernadette Clement: My name is Bernadette Clement, also a lawyer with the Stormont, Dundas and Glengarry Legal Clinic.

Mr. Saint-Aubin: We appreciate this opportunity to meet with you, and we welcome you to our home. Ça nous fait du bien de vous accueillir ici. Votre présence nous encourage.

We are both lawyers with the legal clinic. Our hope today is to bring to you a perspective which may not always be made fully available to you. We respect that all of you care deeply about this province and your fellow Ontarians. No one political party has a monopoly on that. But perhaps what may be missing is that the message you're getting is not the full and accurate picture. That's the only thing that we can think of when we see, day in and day out, what we see. We figure, maybe in an innocent way, that if people knew what was going on, they would fix it and put it right, but that has not been happening.

Our legal clinic is part of a province-wide network which was established under the then Attorney General R. Roy McMurtry, who led the establishment of services which deal primarily with the most vulnerable in our communities. These areas of assistance include housing, social and disability assistance, workers' compensation, employment standards and help to victims of crime.

Every day, the clinic meets with, listens to and helps the poorest from among the people of Ontario. I must report to you that these poorest among your fellow Ontarians ask, "Why have you forsaken me?"

The current levels of social assistance and ODSP benefits are bitterly inadequate. They were inadequate when they were severely reduced in 1995 to below the then real cost of essentials; namely, food, shelter and minimal clothing. Since then, inflation has increased by 22.6%, but rates have been brought up by only 3%. So not only are the rates below the poverty level; they're deep down underground of the poverty level.

What has this meant? For example, I refer to the Peterborough health unit, which, with a great deal of

assessment and thought, came up with the assessment that families on welfare do not have enough money to eat and certainly not enough to purchase food which is nutritious. I guess the question that we ask is, who do people think are on welfare? Are they just those who don't want to work?

We're old enough to know that perhaps our idealism has sometimes had to take a few knocks. I come before you not to say that each recipient of assistance has some sort of halo. There may very well be people who live up to that prejudice, but the vast majority of people on social assistance are persons with intellectual disabilities not properly recognized, people struggling with mental illnesses, older workers like those here in Cornwall who have lost their jobs and have very little likelihood of getting real employment any time soon, women in situations of family breakup and persons over 60 whose golden years are not that golden. They're not old enough to receive seniors' benefits but are expected by Ontario Works to find work in an economy which doesn't look kindly upon older workers. So in reality, what is intended to be emergency assistance has become the source, the only source, for living.

There is another issue that is even worsening this among families in Ontario, and my colleague will speak of that.

Ms. Clement: I appreciate the opportunity to speak to the standing committee on finance and economic affairs. I want to touch specifically on the issue of the national child benefit supplement, the NCBS. In doing so, I want to add our legal clinic's voice to the voice of other clinics in this province, and in particular to the Income Security Advocacy Centre.

As you probably already know, the national child benefit supplement, or NCBS, is part of the Canada child tax benefit or what used to be called the baby bonus, and is still called the baby bonus. The national child benefit supplement is money from the federal government. A full supplement is paid out to families with children under the age of 18 to families who have an annual income of less than \$21,000 or so. This means that families who are on social assistance, or welfare or Ontario disability benefits or Ontario Works—there's all sorts of different terminology around that—receive the full supplement because they have less than \$21,000 annually. That supplement is then clawed back, taken off, close to dollar for dollar, their social assistance cheque.

These clawed back monies are, as we know, re-invested by the provincial government and the municipalities into various programs. One such program is the Ontario child care supplement for working families. I'm not here to say that those programs are not useful or beneficial; not at all. But what I am here to say is that we shouldn't fund those programs by taking money away from the poorest families in our communities.

When I was thinking about this presentation today, I thought about when the NCBS program first began in 1997. I thought of one woman in particular, a client who came in to see me for a disability-related matter. She

brought in her social assistance cheque. She had received the NCBS from the federal government, and there was a corresponding deduction on her cheque stub with the initials NCBS in capital letters. She handed this to me and said, "What's going on? What is this about?" So I explained to her, much as I've done today, what this agreement is, how it's clawed back and how the funds are reinvested into programs. As I saw her reaction to this, I felt that my words rang rather hollow because she responded by saying that she was disappointed and that she could really have used those funds to pay for rent and groceries. I have to admit that I didn't have any useful response for her at that time, but I'm trying today to be useful and relate her words back to this committee.

The clawback, for the most part, is still a fact of life for social assistance recipients. As you have already heard, the rates have increased only marginally over a long period of time. We feel it's time to deal with this issue.

On a more local level, we have been getting together with other social agencies to look at poverty and how it affects this community in particular, these counties in particular, which are always hard hit. Morale is quite low around here right now. The local children's aid society took the initiative last year to bring in a statistician to look at the numbers locally.

I'd like to turn it back to Mr. Saint-Aubin to specifically talk about what's going on in Cornwall and area.

1050
Mr. Saint-Aubin: The community has come together to try to deal with things that are within our control, living up to the old adage, hopefully, that heaven helps those who help themselves.

You well know that issues of poverty are of pressing relevance to communities such as Cornwall and, as has been probably pointed out by our mayor, we've been hit hard by the winds of economic change. This city holds the dubious distinction of having the highest concentration of poverty in eastern Ontario, and punitive levels of social assistance are very relevant to us, as they contribute to a sense of despair and low self-esteem which shackle us to a downward spiral.

The area is ranked seventh out of 49 in Ontario in youth suicide rates and experiencing a high rate of crime, ranking 14th in general crime and 12th in violent crime—rates 50% higher than the provincial average. This may reflect the fact that within Ontario, smaller communities such as ours are experiencing a significant decline in their social institutions.

One of the recommendations we have for you at this time when everyone in the Ontario family is tugging at you in terms of increased resources is that levels of Ontario Works and ODSP assistance should be raised to a level that really correlates in a humane way to the true cost of the necessities of life in Ontario. Proclaim it, if you will, as part of a comprehensive strategy to control spiralling health costs. Either the Peterborough health unit is right or they're wrong. If they're wrong, tell them so and tell them why they're wrong. But if they're right,

then what we're doing is manufacturing a greater burden upon the Ontario health system by bringing forward families that are unhealthy.

In terms of crime, we always respond to awful incidents, but day in and day out—I'm speaking here as a former assistant crown attorney, and I know what I speak of. If you do nothing to attack what's creating or feeding this thing, then just dealing with the top response to crime is not going to make a dent.

The other recommendation we have is that this taking away of the supplement that was intended to keep children out of poverty cease.

I cannot fail to ask, when the opportunity arises, that legal clinics and legal aid receive the proper level of funding that will allow them to continue to provide an effective voice for vulnerable residents of Ontario who cannot speak for themselves. Thank you.

The Vice-Chair (Mr. Phil McNeely): You've used your 10 minutes. If you could end there, we'll go to the government for questions. Mr. Arthurs.

Mr. Arthurs: Thank you both for your presentation this morning. It's certainly not the first time that we've heard these concerns expressed. I said earlier that I hope we have the opportunity to hear them during our tour throughout the portions of Ontario we're going to get to, whether it be northern and eastern Ontario or southern and western Ontario. These are important matters.

What levels of increase would you suggest need to be implemented for those on social assistance of a variety of sorts, recognizing the reductions that were made some seven, eight, nine years ago to the tune of 22%, 24%, 25%, and with inflation built in during that period of time? Any specific recommendations on what level of increase we would have to put in place, and over what period of time, recognizing, as you've said, that all the families of Ontario, in one fashion or another, are looking to government to support various initiatives?

Mr. Saint-Aubin: We have not come forward with a specific recommendation, and we're very much aware of the dilemma. I know and understand the call that if you make social assistance rates too comfortable, it may be a disincentive for some. I understand that thinking. I don't think it's true, but I understand that that's part of the equation. But you can come an awful long way before you're even close to having to worry about that.

Right now the level of assistance is more a token one. For example, there was a formula that was established in 1995 that was supposed to compare this province to a certain percentage higher than the rest of Canada. That has not even been lived up to. If there had been no change at all in the 1995 approach, it still would be way off. So we've really got to look at the basket of what it takes to live in 2006. I'm sorry I can't be more specific or more helpful, but that's where we stand.

The Vice-Chair: We'll go to the official opposition. Mr. Hudak.

Mr. Hudak: Thank you both very much for your presentation. One of the facts of the matter is that revenue is up substantially in the province due to

increased taxes. In fact, we have more revenue coming in to the treasury now than at any time in Ontario's history. So it is somewhat surprising that the government has not responded to your call, which was a campaign promise, I believe, at least with respect to the clawback, if not on welfare rates as a whole.

I think one of the main goals that all of us will share is moving people from social assistance to work. In your experience, what are the best programs or approaches to help bridge that gap and get people into the workforce on a permanent basis?

Ms. Clement: There are various programs that do help, but really, what we're recommending at this point is not necessarily another program. We're recommending a straightforward increase to the rates. We can't be more specific than Mr. Saint-Aubin has explained: just ending the clawback. At this point people are not even really surviving appropriately on what they're getting. So to think about programs and to explain to people, "Well, you can access this program or this program," when they can't pay the rent, when they can't feed themselves properly—as I said earlier, the words are sort of hollow.

Mr. Saint-Aubin: We've been dealing with this now for many, many years. Previously, perhaps, there was inadequate follow-up of recipients of social assistance. Now there is a fairly extensive apparatus which is intended to spur people on, except that the spurring makes little sense when you've got the level so low. Anybody in his right mind wouldn't want to live at that level. So your spurring room is significantly diminished when you have that level of assistance.

The Vice-Chair: Now the NDP. Mr. Prue.

Mr. Prue: A couple of questions, but also a statement first. I have to tell you that I found the last budget to be the most brutal budget possible and imaginable, from a government that said it was committed to poverty issues. With the 3% increase over two years, people are actually worse off today than they were under the Harris government. I've said that before, and I'll continue to say it.

Other provinces have been able to end the clawback. Two have-not provinces that come immediately to mind are New Brunswick and Manitoba. They were able to find the necessary funds to do the programs. Any idea why you think Ontario has not been able to, with record revenues flowing in? I am perplexed.

Mr. Saint-Aubin: I too am perplexed. I think it goes back to what I said at the very outset. I think you and the people of Ontario are decent people. I just think that it's very easy for us not to properly pay attention to poverty.

When I first started in this job, I visited someone in their home and I have to tell you that I had a sense of panic in my stomach because I said to myself, "Only my paycheque and my brains, as they function, allow me to avoid being here. I don't want to be poor." It's easy to want to put that aside; you don't want to go there. I don't think that whoever has the authority to decide these things really understands what's happening, because it's easier to dwell on headlines than reality.

1100

Mr. Prue: The average welfare recipient in Ontario has, after rent and other expenses, \$2.14 a day for food. That's well publicized; everybody knows it. When welfare recipients applied for the food supplement, the minister was absolutely brutal in coming out and saying that this was an abuse of the system, and cut them off. Any explanation as to why—you see, I am perplexed. I ask questions in the House and I get no answer. I'm trying to get an explanation, and I'm hoping that somebody, somewhere, can tell me.

Mr. Saint-Aubin: I appreciate very much your question, but our presence here is in no way to try to be critical of any one political party or government. But I think there is something which is clearly wrong, and it must be attended to. As Ontarians, in the past we have had the ability to roll up our sleeves and get things put right. This is a time for that to take place, regardless of political spectrum. Under any analysis, things make no sense in this area, and we are not living up to the tradition of Ontario either in years past or the hope of the future with this. We're locking ourselves into a perpetual low-health, high-crime future if we leave things as they are, and I hope you'll see that.

The Vice-Chair: Thank you very much. That's the end of the time. Merci beaucoup pour votre présentation, Monsieur Saint-Aubin et Madame Clement.

ARDEN SCHNECKENBURGER

The Vice-Chair: The next presenter is the Ontario soybean growers, Arden Schneckenburg, if you'd please come up.

Good morning, Arden. Thank you very much for being here. You have 10 minutes to make your presentation. Please state your name for the purposes of recording Hansard.

Mr. Arden Schneckenburg: My name is Arden Schneckenburg. I am a farmer from Dundas county. I'd like to thank the standing committee for letting me do this presentation. I'm filling in for another farmer, who, like many farmers, has an off-farm job and was unable to attend today.

Ontario agriculture is at an unprecedented time of low prices and marketing uncertainty in many agricultural sectors. The grain and oilseed sector of this, which is corn, wheat and soybean farmers, is arguably the hardest-hit sector at this time. Through factors beyond our control and as a result of Canadian farm programs that do not work for grain and oilseed farmers, we are in a farm income crisis.

The US farm bill's impact over the last 20 years is quite dramatic. The programs in the US subsidize farmers based on historical yields and present prices, thus driving production up and world prices down. The US government does not take demand into their equation at all. High carry-outs of corn and soybeans, on the other hand, ensure cheap raw-material supplies for US ethanol, starch, sugar, biodiesel, feedlot, pork, poultry and other

value-added ventures. With an open border through NAFTA and WTO, Canadian farmers receive world prices despite economic drivers. As an example of one of those drivers, we have high demand for corn coming along in Ontario with ethanol plants coming on stream, yet our prices will not increase because they can import cheaper US corn.

In Canada, the joint agriculture policies of both the federal and provincial governments have resulted in poorly planned national programs that do not work for Ontario's diversified agricultural sector. CAIS, which is the Canadian agricultural income stabilization program, is whole-farm based, while the US program is commodity-specific and triggered by price. Quebec's ASRA program is commodity-specific and triggered by price. Ontario's old market revenue program was commodity-specific and triggered by price. In Ontario presently we have CAIS, which doesn't work in an environment of artificially low prices caused by the US farm bill.

Some quick facts:

(1) US farmers in the last three years had their best three years of all time, while Canadian farmers had our worst three years in Canadian farm income history.

(2) From 1993 to 2003, farm debt doubled to \$47.7 billion and real net income has been dropping every year.

(3) US farmers' net income in 2004 was approximately \$43,000; Canadian farmers', \$24,000.

(4) US farm debt per farm is approximately \$113,000; ours is \$200,000. So the argument that farmers capitalize our farm payments isn't true. You can see that by the facts.

Canadian farmers survived and stayed in business by borrowing money or using equity while waiting for our governments to rectify this problem through the WTO and world prices. In the long run, that's the way to go, but enough is enough. We cannot continue like this. We need help. The Canadian Corn Producers association have taken the last resort of putting a trade action against US imports of corn so they can put some money into farmers' hands. Driving up corn prices is only a short-term solution, for that destabilizes our ethanol, value-added and livestock sectors in the long run. We need a program that's here and now.

The farmers of Ontario have a solution for a more level playing field with Quebec and the US. As you know, Canadian agriculture is jointly funded, 40% provincially and 60% federally, and some provinces put in more than their 40%, like Quebec and Alberta.

We as farmers have come up with a risk-management program which was designed by farmers and adopted by our associations and will help make CAIS work for us. Many of you here have been lobbied this past summer by the farmers on our new risk-management program, so most of you know the program and what it means to us. The result of a properly funded program would give Ontario farmers a program that would put us on a level playing field with the US and Quebec. The big thing is that we need a program that's bankable and long-term, so

that we can work with our bankers and we can put a crop in the ground now and in the future and not do these ad hoc programs that we always do.

The other benefit of having a properly funded risk-management program is that perhaps the trade action that the corn associations have started could be stopped so we don't hurt our announced ethanol initiatives and livestock sectors in the province, as well as keeping us competitive.

The Ontario government has an opportunity to show leadership and to depoliticize the agriculture file as they work with farmers in Ontario and the federal government to resolve this income crisis.

The whole farm/rural economy is important to our rural areas. If you drive around, it shouldn't be of note to most people around here that we don't have a giant building boom or anything in the rural areas. Farmers are hurting, as well as our industry-based background, in most rural areas. We need assistance to help attract industry, jobs and people to the area so we can help stabilize the whole rural economy for farmers. As well, properly funded farmers will help this whole problem. We have to have schools and recreation things, the same as they have in urban areas.

Many of you have seen our Farmers Feed Cities campaign, which we initiated over the summer while lobbying you. That's the unified voice of all farmers, who are trying to get more money back into the OMAF budget, up to 1.4% from its current 0.7%, so we can properly do programs and help the rural parts of the area.

Thank you.

The Chair: Thank you. The rotation will begin with the official opposition. Mr. Barrett.

Mr. Barrett: Thank you, Arden, for coming forward. We had a presentation from the Ontario Federation of Agriculture at yesterday's meeting, the Cochrane and Timiskaming people, up that way, and had a good discussion on beef and BSE and abattoir problems.

Both my colleague MPP Tim Hudak and I have been very concerned about the dilemma we're in with cash crop. I derive some of my income from cash crop, and I fully support what you're talking about.

Our concern—and we've raised this a number of times with the Ontario minister of agriculture. Both Mr. Hudak and I have raised questions around the indication from the Canadian International Trade Tribunal with respect to the subsidization and dumping of US corn and the injury that it has caused to our domestic industry. Our question a number of times now to the minister is about what action steps she is taking on this. I know Mr. Hudak has asked in the Legislature, a concern about the impact it has on users of cash crops, not only those feeding animals but companies like Casco, of course, down this way. We think of Seaway; we think of the ethanol industry.

What we need from this government is a plan, an indication of support for our growers and, in addition, our support for companies like Casco. Do you have any indication down this way if anything is happening as far as government assisting with what's a bit of a dilemma?

1110

Mr. Schneckeburger: We as farm organizations are working with all parties—and we're trying to stay politically neutral—trying to express our concerns. Like I said, it's unsustainable, long-term, to have a countervail on for companies like Casco, beef farmers, etc.—I also run a feedlot. So for us, the best solution to this problem would be a risk-management program developed by the farmers. That's what we're hoping we can bring forward and that it will be supported by all parties.

Mr. Barrett: Exactly. It's an indication of how tough things are.

Mr. Schneckeburger: We've been working as farm organizations since last March on this issue, with the protests we had in Toronto etc. This isn't new, but it's getting to the point that farmers have to get their crops in the ground this spring, so we're hoping now, after the federal election. The problem with agriculture in Ontario is that it's a federally and provincially funded area. We have to work together now to get this forward.

The Chair: Thank you. Now we'll move to Mr. Prue of the NDP.

Mr. Prue: Thank you very much. As I often tell farmers, I'm a city boy. I've spent my whole life in the city. The one thing I do know, though, is I'm thankful every day that you're there so that I can eat. You're right with your program Farmers Feed Cities.

Last year was an eye-opener to many people in the city when farmers descended upon Queen's Park in huge numbers, and with legitimate grievances. I'm not sure a great deal changed, though. I'm not sure that the government came across or made any huge changes. Can you tell me, though, did they? Were there any changes? Did you think anything happened as a result?

Mr. Schneckeburger: We're still working with the government. The government is listening. The minister is speaking to us. But as of right now, there is no joint program federally and provincially funded. All we have are CAIS and crop insurance, which are fine. CAIS is a disaster-type program; crop insurance does weather-related disasters. But we need that other link that we used to have—the price component—which both Quebec and the US have. That would finish the package up again, and that's what we're still working on.

Mr. Prue: It's not just Quebec and the US. In almost every single country in Europe, or if you look at Japan, the farmers are subsidized because the governments understand the necessity of maintaining the national food supply or the local food supply and not having to relying on imports and things that can happen. Would you like to see us doing something similar? Because I think Ontarians or Canadians want to eat local produce.

Mr. Schneckeburger: Our risk-management program is basically putting us on a level playing field with our competitors. Coming up with a program that, unfortunately, with an open border between Canada and the United States, is radically different from what they're doing is not sustainable. Like I said, right now we're building ethanol plants. Some will be coming on-line, so

supply and demand would indicate the price of corn should go up. It will not, because they can bring in cheap US corn.

Mr. Prue: Absolutely.

Mr. Schneckeburger: So doing what you propose is good long-term planning, but short-term it's not going to help us.

The Chair: Thank you. We'll move to the government and Mrs. Mitchell.

Mrs. Mitchell: Thank you very much for coming out today and making a presentation. Just so that you know, I'm the member from Huron-Bruce. So when we talk about agriculture, it certainly is number one from the riding that I represent.

I'd just like to clarify a few points here. The honourable member made mention of what has happened to date. Just so that we're clear, there was an additional \$79 million to grain and oilseeds from last year's budget.

As a point of clarification as well, what we have on the table today is a three-year program for extension of the MRI program as it was in the past. What we are waiting for is the federal government to come to the table to recognize and pass the disbursements of the apportionment of the dollars. That is what we have on the table, so we have clearly heard that what you need is a longer term commitment.

One other thing I would like to say is that yesterday a member was taken to task for making political hay, I'm going to call it, on the backs of an industry that is hurting. That, specifically, was the lumber industry. Today, I would like to say that BSE was dealt with in a different manner; it was depoliticized, as should be the grain and oilseeds. I would like to remind the honourable members that in fact our farmers are in a crisis in grain and oilseeds, and that too needs to be depoliticized.

So I say to you, sir, could you just add to what you would support—

Interjection.

The Chair: Order.

Mrs. Mitchell: —in what we have on the table with regard to the MRI?

Mr. Schneckeburger: We understand what you have proposed. We understand that has been on the table. But it's coming now to the point that the farmers have to put a crop in the ground this spring and it may be time for leadership by the government. Maybe you have to put your money up before the feds put theirs up, because they may not even be sitting by the time we need the money. That's why we're asking to depoliticize it. All parties have to work together provincially and federally to get the money in the farmers' hands, because the problem is, it's already the end of January and farmers have to start planning. The ad hoc programs that we have presently are not bankable. We cannot go to banks and borrow money on a wish. We need something actually on the table. We're at a real hurdle right now.

The Chair: Thank you for your presentation.

I remind members that all comments should be made through the Chair.

CHRIS SAVARD

The Chair: I call on Chris Savard to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I'd ask you to identify yourself for the purposes of our recording Hansard.

Mr. Chris Savard: Sure. My name is Chris Savard. Good morning and thank you, Mr. Chair.

I am pleased to have this opportunity to address the committee this morning and provide some input as you begin this important task of hearing from taxpayers all across this great province. As I've said, my name is Chris Savard, and I am a lifelong resident of the city of Cornwall and have long been very active in our community. In addition to being the general manager of the area's largest shopping centre, Cornwall Square, I am also very privileged to be able to serve my community as a member of Cornwall city council. In addition, I am a past treasurer of the Cornwall and Area Chamber of Commerce and currently am pleased to serve on a number of community committees such as our urban core revitalization project called Heart of the City and to chair our community's largest festival, Kinsmen Cornwall Lift-Off. Lastly, my wife and I are small business entrepreneurs.

My submission to the committee today will touch upon a number of municipal and community concerns that have been previously raised by Cornwall mayor Phil Poirier, senior city staff and our CAO to various provincial ministers as well as the leader of the official opposition. I want to make it very clear that I am speaking to you today as a concerned citizen and not as a member of Cornwall city council.

In his December 2005 submission to the committee, Minister of Finance Dwight Duncan highlighted five questions that have framed the government's pre-budget consultations. The first question was, "What else can the Ontario government do to create a new generation of economic growth?" My presentation today will answer this question and address some of the series of actions which, if the provincial government were able to undertake these, would add greatly to the economic growth of the city of Cornwall.

As the committee is most likely aware, our region has faced a number of unfortunate job losses with the closing of major employers such as Domtar and Pioneer Chemicals. In addition, a number of other companies have announced staff reductions and the downsizing of their workforce. The economy of the city of Cornwall relies heavily upon strong provincial and national economies. Issues such as the Canadian dollar, trade disputes, border security, energy costs and globalization play a significant role in our local economy.

The city of Cornwall has proven in the past that it is a resilient community, and I am confident that we will rebound once again. Clearly, our local economy is one that is in transition, and now, more than ever, the assistance of the provincial government is necessary to ensure

that Cornwall remains the strong and vibrant community it has grown to become.

Let me highlight for the committee a number of specific issues that, if addressed properly, would create economic growth for our region.

Currently, the city of Cornwall makes annual payments in the amount of \$210,000 towards the repayment of a downtown revitalization loan from the late 1970s. This loan is now over 25 years old, and it is my understanding that the government is no longer receiving payments in most other communities that were initially involved in this program, as a result of changes in the economic realities of those particular projects. The Heart of the City project that I spoke about earlier is a very positive one that is funded in part by the Ontario government. This project has seen a number of community stakeholders working tirelessly to develop solutions toward the revitalization of our urban core. A community improvement plan has recently been submitted and approved by Cornwall city council and is currently awaiting provincial ministry approval.

1120

The city of Cornwall has requested that the debt be completely forgiven, as in other communities, with the understanding that the city would commit to reinvesting the remaining loan balance to fund improvement applications as outlined in this community improvement plan. This initiative would encourage significant private sector investment and result in substantial improvements made in our urban core.

Another issue for us is the power dam. Currently, the city of Cornwall receives an annual grant in lieu for the R.H. Saunders Ontario power generation station of about \$229,000 a year. This facility is assessed at \$96 million on the assessment rolls. If that particular utility were to pay taxes on the actual assessment like all other commercial-industrial properties do, the city would benefit in an amount of close to \$8 million annually on an industrial taxation approach. While this amount may seem large when looked at on a per kilowatt basis, it is actually very small when spread over all consumers.

Appropriate revenue must be generated from the OPG property in Cornwall. This increase in revenue would assist the city in the completion of various capital projects and provide some much-needed relief in tax rates.

Speaking of tax rates, the city of Cornwall has analyzed the education tax rate applied for the education purpose here in the city of Cornwall and finds that the education tax rate is one of the highest in the province of Ontario. When prospective investors review these tax rates, it results in a definite disadvantage in trying to attract industrial and commercial development to the city.

The city of Cornwall has requested that the education tax rate applied to properties in the city be set at the same rate as the average of all communities in the province in order to allow the city to compete on a level playing field for new investment and subsequent tax growth. It is interesting to note that this initiative alone would reduce the tax burden on existing commercial properties by 20%.

A number of years ago, many provincial services were downloaded to municipalities under the notion that these services would be revenue-neutral and subsequently provide no additional municipal tax burden. Clearly, that has simply not been the case. While I strongly believe that these services are best delivered by the municipal government, it is incumbent upon the provincial government to ensure that the city receive the necessary funding to address the expenses associated with the delivery of these services.

There has been much talk about the job losses in Cornwall and SD&G during the past year, and I really believe the province should give serious consideration to assisting our region.

Firstly, I'd like to thank the provincial government for the financial commitment toward a regional economic development strategy. Going forward, I would respectfully request that consideration be given to the city with some special one-time funding to assist in greater marketing initiatives, as well as assist in the implementation of this economic plan. This plan will only be beneficial if it's able to be implemented.

Secondly, consideration should be given to establishing an eastern Ontario economic development fund similar to the funding assistance provided to northern Ontario. Further, Cornwall should be considered as a potential location in any decentralization and/or relocation of provincial offices outside of the GTA.

Lastly, I have read with interest about the greater Golden Horseshoe growth plan as outlined on the Ministry of Public Infrastructure Renewal website. While I think we all recognize that there must be a detailed plan to deal with the sustained growth in that particular area, it has long been felt that eastern Ontario is the forgotten part of the province by the government.

In his news release dated November 24, 2005, Minister of Public Infrastructure Renewal David Caplan was quoted as saying, "Growth is important to Ontario's economy, but we need to be strategic about it. That's what the proposed growth plan is all about: ensuring we have places to grow business; places to grow food; places to grow trees; places to grow families. It's about informed, strategic decision-making." Please let me respectfully suggest to the minister and submit to the committee that eastern Ontario—and our region in particular—is also a great place to grow business, food, trees and families. Our area has been hard hit by changes to the global economy, and it is incumbent upon the provincial government to be equitable when it establishes these regional growth strategies.

With respect to hospital restructuring, on December 21, the Minister of Health and Long-Term Care, George Smitherman, announced the approval of the expansion and redevelopment of the Winchester District Memorial Hospital and the Cornwall Community Hospital. The media announcement outlined several major projects that will take place at both hospitals, with construction scheduled to begin between 2007 and 2009. The construction of our new community hospital represents a

much-needed and anticipated expansion to our single most important piece of community infrastructure, our hospital. Unfortunately, this announcement from the province represents approximately a two-year delay from the original timeline. Over and above the medical advantages this new facility will offer our residents, the consolidation of hospital services to one site will also create significant operational efficiencies for the hospital administration. Regrettably, this funding delay will postpone those financial benefits for our hospital.

In addition, we also know that inflationary factors affecting construction costs can range from 6% to 9% per year. This could quite possibly equate to an almost 18% increase on the total cost of this \$59-million project. As of yesterday, I'm very proud to report, our community had raised \$8.9 million of the \$10-million target in just over one year. The inflationary increases to the project caused by the delay in the provincial approval could result in a cost overrun of almost \$10 million. It is my hope that the province will recognize the significant price that this delay has caused, take into consideration the significant amount of community and public support demonstrated for the project and provide 100% funding for any shortfalls that might result from this delay.

Lastly, there currently exists a lack of appropriate training assistance to assist businesses when establishing a new operation. Too often, training is provided in a very broad range to address the needs of displaced employees. However, no funding is made available to employers in the process of creating permanent jobs which require training activities to meet the specific needs of the positions being created. This form of assistance would be extremely attractive in dealing with potential businesses and development clients.

In conclusion, Mr. Chair and members of the committee, I'd like to thank you for this opportunity to present my thoughts during these pre-budget consultations. I've highlighted for the committee a number of issues that, if the provincial government were able to undertake them, would greatly add to the economic growth of the city of Cornwall.

I recognize that it is difficult for the government to meet the needs of all the presenters and all the taxpayers across the province. I would like to point out that Mr. Duncan was quoted as saying on December 15, 2005, when speaking about the quality of the submissions he heard at these very budget submissions, that all views presented "wanted essentially the same thing: that the government spend their money wisely, with a plan to meet and invest in priorities."

Might I strongly suggest to the committee that if the provincial government is serious and firm in its resolve to provide assistance to our community as we work through this transition in our economy, the initiatives I have outlined above are a critical step toward the recovery of our local economy. It is my hope that these requests will receive the attention that they so desperately deserve.

Once again, I thank you for the opportunity to present here today.

The Chair: Thank you for the presentation. We'll begin this round with Mr. Prue of the NDP.

Mr. Prue: You brought up something which we have not heard from any other presenters before, and that is that the government of Ontario consider devolution of some of its civil service to Cornwall. This is not a new idea, but it is the first time that we have heard this on the tour so far. Can you tell me what government departments you might think could locate in this city?

Mr. Savard: I'm not sure that I have a specific department in mind, but clearly, as we look to create jobs and opportunity, we think there are some real opportunities, particularly with our location close to the Quebec border and also next to Ottawa, within one hour's drive. There are clearly some opportunities that some of our displaced workers or even some relocated folks to Cornwall and area could provide, some real strong economic advantages to some of the initiatives that we're trying to undertake. I would suspect that our city leaders would be willing to work with the provincial government to find the one that would make the most sense, of course. There may be some geographic considerations that should be looked at when dealing with some of the issues that we deal with here on a regular basis.

Mr. Prue: The obvious advantage, of course, is the high level of bilingualism in this city because of the close proximity to Quebec and to Ottawa. But there is another difficulty with this: Most of the civil service is unionized, and they have certain job guarantees. They would be allowed to come, which might help the economy, but it wouldn't necessarily help the job market or people getting jobs. Any thought on that?

Mr. Savard: Clearly, any opportunity that we would have to move some of that stuff here—and I recognize that a lot of the things I've outlined in this particular submission are not easily accomplished. But what I said in my presentation was that if there was ever an opportunity or a new department being created or something being moved out of the GTA, we would hope that Cornwall would be given the consideration that all other communities would.

The Chair: Thank you. We'll move to the government.

Mr. Lalonde: Thank you for taking the time to come and address the committee. You're a member of municipal council here. Do you feel that we are really starting to feel the impact of the downloading that happened in 1998?

Mr. Savard: There's no question. The services in 1998 were downloaded with the notion that they would be revenue-neutral, and things like social services, social housing and land ambulance, we're recognizing today—as I think you'll hear from municipalities all across the province—that they're not completely revenue-neutral. The CRF program didn't cover that shortfall; the new OMPF program has not covered those shortfalls. What we're seeing from a municipal perspective is that we're taking current municipal dollars to fund downloaded

provincial programs that quite frankly we can't afford to do anymore, because we're raising tax rates, we're cutting capital programs, our infrastructure is crumbling and we're doing that at the expense of funding these provincial services.

1130

Having said that, I still believe that those services are best delivered by the municipal government. I think we've taken those particular areas and shown remarkable improvements in land ambulance, social housing and social services, because I think we're the government that's closest to the people and probably can best manage those. What we're really saying is that if it was downloaded with the notion that there would be four quarters for a dollar, we need a couple more quarters.

Mr. Lalonde: Yes, because also when you look at the infrastructure, especially for road services, 4,800 kilometres of road were downloaded to the municipalities and I'm sure down here, with Highway 2 especially, and all the surrounding area in Stormont, Dundas and Glengarry county, they are really, really affected with this downloading. Especially, there was \$480 million downloaded to municipalities. When I looked at Prescott and Russell alone—not Glengarry, Prescott and Russell—they had a shortfall of \$23 million after they calculated everything.

I remember at the time when the ambulances were transferred to municipalities, it was supposed to be 100%. We fought and we finally ended up with 50%. What is the percentage at the present time that your municipalities are paying towards land ambulance services?

Mr. Savard: I don't have the specific numbers, but I think you're correct; it was supposed to be 50%. I think we're probably getting about 25% subsidy. Our taxpayers are picking up the difference.

The Chair: Thank you. We'll move to the official opposition.

Mr. Hudak: Thank you very much, Chris, for the presentation. You covered a great number of issues. I appreciate all the input on that variety.

The sad loss of the Domtar jobs and Nestlé and other area manufacturers, I think, has been caused, really, by the high tax rates that we have in the province of Ontario. Our business taxation levels are among the highest in the world. Hydro prices are escalating rapidly and will probably do so again in the spring. The McGuinty government is clinging to this notion that we should close down about 20% or 25% of our power supply, which will obviously lead to higher prices. What's your view, in a general sense, about trying to lower the tax burden that exists on businesses and working families and on hydro policy?

Mr. Savard: Clearly, any time you can provide a situation where the people looking at our community are going to pay less tax and have a greater ability to invest those dollars into the things they deem to be important, whether it be retraining or employees or new buildings or new production lines, those are very positive things. One of the challenges that we face, as I've mentioned, with the education tax rate—I believe we're sitting at third-

highest in the province. If we were to get just to the provincial average, that would equate to a 20% reduction for our commercial taxpayers. I know that in the facility I manage—it's the largest commercial shopping centre in the area—we're paying almost \$8 a minute in municipal taxes when we're open. It's a significant barrier to attracting investment to this community.

Mr. Hudak: I'll ask two quick questions in the interest of time.

First, one of the proposals the McGuinty government has brought forward—this is for your municipal hat—is to give municipalities new taxing authority for things like parking lots, theatre tickets etc. Your comments on that notion?

Secondly, you're obviously a strong champion for the local hospital. You talk about the delay in the announcement and the hospital project inflation. What indication on cost-sharing have you received from the province, and did they acknowledge your concerns about project inflation?

Mr. Savard: In terms of new revenue streams, I recognize the challenge that the provincial government has in terms of, if they were to make everything not revenue-neutral be revenue-neutral, there's a significant price tag, and I don't know where those dollars are going to come from. So it may involve some additional taxation authority. I think the real challenge will be to make sure that we're not creating another problem someplace else. I think there will have to be some serious consideration of what those issues are and where they're challenged. Perhaps an appropriate user fee—and perhaps that's a discussion for another day. In general, I think it's something that is worthy of exploration, but there's a caution that needs to be exercised to make sure that we're not just moving the problem someplace else.

In terms of the hospital, I had an opportunity yesterday to speak to some of the senior administration at the hospital. At this point, they recognize that there is very likely a probability that there will be a cost overrun as a result of the delay, perhaps 6% to 9% per year. It could be as high as 18% on an almost \$60-million project.

To my understanding, there has been no concrete identification as to how that money would be funded. Would it be funded from the provincial government? Would it be under the same format, with so much from the local municipalities? Will the community, that already has almost raised its \$10-million goal, be asked to raise an additional set of numbers, another 20% perhaps, to cover that cost? Clearly, I don't think there has been a definitive answer. One of the things I'd like to raise today is that I think that's something where we should get on now and find the answer. Obviously, I hope that the provincial government would come to the table with 100% of that shortfall.

The Chair: Thank you for your presentation.

DIANE THOMPSON

The Chair: I call on Diane Thompson to come forward, please. Good morning. You have 10 minutes for

your presentation. There may be up to 10 minutes of questioning following that. I ask you to identify yourself for the purposes of Hansard.

Ms. Diane Thompson: My name is Diane Thompson. I live in North Stormont in a community called Moose Creek. I've been an active member of the community, serving on a variety of organizations. But the comments that I make to you this morning are my comments as a citizen and reflect my interests and concerns about my immediate community and the community at large.

My suggestions are framed within an open systems approach that involves consultation with all individuals involved in any change process. It is fundamental that those who are impacted by the changes we wish to implement are involved in the decision-making process about matters that directly impact on them.

The two major concerns that I wish to address this morning are health and wellness and economic development.

The concerns I express in my submission surround obesity, first and foremost, under health and wellness. Obesity has increased to levels that threaten the health of our population, our children and their future health outcomes as adults. In a recent documentary, it was estimated that 70% of all Americans are obese as defined by the body mass index rating and that by 2015, 100% of all Americans will be obese. It is assumed that these ratings are closely aligned with our population. I did note that Dr. Sheela Basrur, on your health promotion site, has indicated that in 2003 one of two Canadians was obese.

High numbers of children are experiencing the onset of type 2 diabetes, which typically does not occur until adulthood. High levels of cholesterol are showing up in blood samples from teenagers.

The factors implicated are diets high in fat and sugar, reliance on fast foods and packaged foods and sedentary lifestyles in a 24/7 work world as well as additional hours spent at computers for communication, study and leisure. Other factors relate to lack of education about the positive effects on health from healthy food intake and physical activity. For example, in my case, just a singular one-inch square of cheese per day is all I need to maintain healthy bones. I probably consume a lot more cheese than that, as we all do.

The supersize and meal deal phenomenon has led to a norm of overconsumption of calories, resulting in excess weight gain and health risks. Unless we reverse this trend, health costs relating to heart disease, diabetes, cancer and knee replacement will escalate beyond our ability to pay.

Some of the interventions that I recommend are:

As a first step, reach out to the community of experts. Consult with dietitians, nutritionists and physical education experts to develop programs with a goal to change behaviour on the front line, with children, in a learning environment. Children embrace change and new experiences and influence change in their wider environment. This is the reason many food advertisements are aimed at children: they influence the purchases their parents make.

Provide positions for dieticians and nutritionists, accessible to all in the community who wish to have support in their weight-management efforts.

Foster a cradle-to-grave healthy living vision and commit to it by providing resources.

From a preventive perspective, educate the wider community about the natural protective benefits of certain foods.

Physical activity is promoted by the medical community to improve outcomes after illness. We need to get ahead of that curve and prevent illness from occurring.

1140

Some of the barriers I see are: old paradigms—an illness model rather than a wellness model; protectionism among regulated professions; lack of vision; it's difficult to assess in a cost-benefit analysis; outcomes will occur in the future, not in the short term.

I would like to propose that a task group be created to engage the community of experts in health, education, nutrition and physical training to develop system-wide intervention to develop lifelong habits of healthy eating and physical activity.

The secondary concern surrounds economic development. You've heard comments in that regard already, but the concerns I cite are: loss of jobs due to closures in the manufacturing sector; lack of good jobs; lack of recognition that the global marketplace is having a negative impact on our economy; lack of strategies to build the knowledge economy; lack of attention to education as a lifelong process.

Some of the interventions that I thought might be helpful would be to: foster innovation in education and industry; invest in research and development; consult with the greater community to develop initiatives to compete in a global environment; provide tax incentives to new entrepreneurs to encourage hiring; implement program evaluations that empower program leaders to be accountable through total quality improvement methods.

My proposal as well would be an immediate striking of a task force of community leaders and experts in technology areas, including biotechnology and nanotechnology, with a goal of establishing a centre of research and innovation in Cornwall.

I submit these comments to you for your consideration. I thank you for the opportunity to make these comments to your committee this morning.

The Chair: Thank you for your presentation. We'll begin with the government.

Mr. Wilkinson: Thank you for coming in, Diane. We're very happy to be in Cornwall. You know, we could take your presentation right out of the work that Jim Watson is doing as our new Minister of Health Promotion. I understand it's the first full ministry for health promotion in the country. Other provinces, I think, are following our lead now.

Part of that is inspired by the work of Roy Romanow and the royal commission about what we are doing to create a wellness culture, because structurally we have a system that deals with illness, and how do we turn that

around? Particularly what you were saying about changing it with children—I mean, we've done that in other things: drinking and driving, public smoking, all of those things take time to change culture.

When we were kids, we used to have phys. ed. in our schools. Gerard Kennedy, our Minister of Education, is putting that back in, and banning junk foods so we're not sending a signal to our elementary students that they should be eating sugar every day as opposed to healthy snacks.

My concern is that you're saying that there should be a task force. Have you looked at the Ministry of Health website? Is there a way for you, as a concerned citizen and as someone with a network of experts, to plug into that movement that the government is already taking?

Ms. Thompson: I actually reviewed the website and spent some time reviewing the 78-page report of Dr. Sheela Basrur that is posted on the site. I guess my concern is, what are the actions or strategies that are taking place that relate to that? She posted her report in November 2004, citing this one-in-two figure of Canadians who are currently obese.

In the community where I am and in the circles I function in, I'm not seeing a lot of activity in this area. Perhaps it's just that it's not in the media for me to see that these actions are taking place. But I was very pleased to see this ministry set up. I think that anything that can be done in the greater community to communicate that site to people is beneficial, but action has to follow the strategies. I'm not seeing that those actions are taking place, and I see it as something urgent. I do see that change will take time, but I do see it as something very urgent that is cross-ministry and engages all groups of individuals in the community.

Mr. Wilkinson: I'll make sure that the minister gets your presentation.

The Chair: Thank you. We'll move to the official opposition.

Mr. Barrett: Thank you, Diane. I certainly appreciate the issues of disease prevention and wellness and health promotion being tabled before a finance committee. I think that's significant just on its own. I think it's significant that you talk about a task force to pull together not only ideas but some action plans with respect to health promotion, and also a second task force to deal with some of the economic concerns that we have in this area. It would be great if down the road there could be some cross-referencing.

Not all the answers lie with the Ontario Legislature, and certainly not with the ministry of illness or the ministry of sickness. Having said that, we know that a very large proportion of the money does go to the Ministry of Health; the Ministry of Health Promotion has an incredibly small budget by comparison.

The other danger as well, when you speak with legislators: Much of this isn't going to occur by passing legislation. Again, as you've indicated in your intervention, to continue working with children in a learning environment—that learning environment may well be in their

own home, to counteract the environment they're exposed to, for example, in a corner store or in a fast food restaurant.

There are some successes. I think of the drinking and driving movement in the early 1980s, where we saw a paradigm shift. I think of rural high schools: Drinking and also driving were combined, and the students themselves mobilized and took that over. Right across North America we saw some success.

Further to these task forces, I know you can pull together some experts, but what do you see the experts doing beyond having a chat?

Ms. Thompson: I see this coming from an open systems paradigm. You must include all of these people in these greater discussions, because they have impacts for everyone. As you suggest, very often when you include even the children or the young people in these kinds of discussions, they contribute to the decision-making themselves, and then in that situation they are more likely to actively undertake change.

So behaviour change is important. It covers not just food intake but physical activity—you can't have one without the other—and then the commitment in the education system to have such an intervention within the educational system.

That's why I see the experts coming together to have the dialogue and that they, at all levels, are involved in the discussions that would be proactive to develop a strategy.

The Chair: Thank you. Now Mr. Prue of the NDP.

Mr. Prue: I wanted to deal with the technology, biotechnology and nanotechnology and the striking of a task force. We have many institutions in Ontario that already do this. We had an excellent presentation from Queen's University today. We have the MARS project in Toronto. There's one at McMaster University. I think there's one at virtually every university in Ontario. How would this be different? To strike another task force—I don't know. How would it be different from what we already have?

Ms. Thompson: What I was getting at was the striking of a task group in this community that would bring together those strategies to look at possibly having that kind of institution in this community to attract jobs, to further look at economic development in those areas. We are in a knowledge economy, and I see it as something that can be fostered in this community.

I know the University of Waterloo is a centre for excellence in technology. A lot of people go directly there to seek advice and develop strategies. But we are in a situation in this community where the economic downturns require some other approach. I think there is a case to be made for government intervention in communities such as this, and I see this as a way that we can begin to look at a different kind of intervention. It's not just about creating jobs; it's about creating good jobs in a knowledge economy.

Mr. Prue: But is the information not available from the other sources? What you really need is somebody with money, some entrepreneur with skill and verve and

drive to use that innovation and see Cornwall for the opportunity that it is, with an educated workforce, with most of the citizens being bilingual and with all the other things you have. That's what I'm trying to understand: how another task force, other than being centred here, is really going to help.

Ms. Thompson: I still see a task force as being a government intervention that would be useful to this community in these particular areas. This particular area has been resource-centred in terms of job creation, and I think that this community, combined with some experts in this field, can have a look at other ways of bringing work opportunities into the area, particularly in the area of a knowledge economy, which we need to move toward to compete in a global environment.

The Chair: Thank you for your presentation this morning.

For the committee, lunch will be served in the Upper Canada Room. This room will be closed over the noon hour. I remind the audience of that as well. We are recessed until 1 p.m.

The committee recessed from 1151 to 1302.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

The Chair: The standing committee on finance and economic affairs will now come to order.

I would call on the Catholic District School Board of Eastern Ontario to come forward, please. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questions following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Ron Eamer: I'm Ron Eamer, chair of the Catholic District School Board of Eastern Ontario.

Ms. Bonnie Norton: I'm Bonnie Norton. I'm the manager of finance with the school board.

Mr. Eamer: In opening my presentation this morning, I will say that we must congratulate the present government on a lot of the improvements it has made up to this point in time. However, as you'll see from my presentation, there are still some outstanding shortfalls that we would certainly like the government to address in their upcoming budget. We thank you for the opportunity to make this presentation.

Our board covers the eight eastern counties—Prescott, Russell, Stormont, Dundas and Glengarry, Lanark, Leeds and Grenville—here in eastern Ontario. We have 15,000 students distributed over 52 schools. Our statements indicate that our operating budget last year was \$116.5 million, and we've just posted a \$1.2-million deficit. It looks like, at the end of the 2005-06 school year, that will have grown to \$1.548 million. The major contributing factors to this projected deficit are revenue shortfalls associated with outdated provincial salary benchmarks and inequities in funding for the remote and rural grant, a component of the geographic circumstances grant. We have some brief highlights to support these statements.

The major funding concerns will be the employee compensation package, remote and rural funding, school renewal funding, French immersion grants, full-time junior and senior kindergarten funding, and of course capital funding.

Some 79% of our total operating expenditures goes towards employees' salaries, and therefore that has the biggest bearing right now on our budget. Currently, the funding gap between the provincial teacher salary grant and the board's current teacher salary grid for 2005-06 is approximately \$4 million, which averages \$4,765 per teacher.

Further complicating matters is the funding that's presently accorded the boards for preparation time. The provincial government provides funding for 146 minutes per week, while in our case we provide 160 minutes per week. Under the new framework, the teachers have been guaranteed 200 minutes per week over the next three years to work up to that, with funding only coming in at 171 minutes. So you see the difference there: It grows from 14 minutes presently to 29 minutes three years down the road, which will double the deficit of \$375,000 in this area to three quarters of a million dollars.

A recognition of actual salaries paid and actual elementary preparation time in the school board operating grants for 2006-07 is critical for the Catholic District School Board of Eastern Ontario to avoid a significant deficit.

Therefore, the recommendations would be that the government of Ontario update provincial benchmarks for salaries that recognize the actual cost of salaries, and that the government of Ontario fully fund the elementary preparation time that boards are providing according to the provincial framework.

Remote and rural funding—there are maps which will explain this a little more clearly and very quickly; you have them in appendix A and appendix B at the back of the book. We just don't get what other boards in the area get because the format states that we're too close to the city of Ottawa. We're no closer than anybody else, but it does have something to do with the location of our central office. You'll see that our neighbouring boards receive approximately \$3.3 million, while we get \$1.3 million. That alone could solve the deficit problem for the time being.

The recommendation related to that is that the government of Ontario revise the distance component of the remote and rural allocation to provide fair and equitable funding.

Our board's plant operation motto is to keep our schools safe, warm and dry. We have identified over \$42 million in projects under school renewal. The immediate requirements identified for each of the next two school years is \$3.4 million. The board's current allocation is \$1.7 million, or just one half of this funding. Detailed data of school renewal needs, including projects by priority level and by year, have been compiled using the ReCAPP asset management software. For this board, ReCAPP identifies over \$27 million in school renewal

projects that were required for 2003-04 based on inspections carried out in 2002-03. Of this \$27 million, \$15.6 million was considered to be high and urgent needs. In 2004-05 the ministry funded 40% of this amount, or \$6.1 million, under Good Places to Learn. So that's just 39% of the needed amount.

Our recommendations are that the government of Ontario allocate funds for school renewal to meet the needs as identified through the renewal capital asset planning process, and that the government of Ontario announce and distribute funding associated with stage 2 of the Good Places to Learn initiative in a timely fashion to enable boards adequate time to plan and implement in an effective and responsible manner.

French immersion funding: I'll let you read that on your own. But I will read the recommendation that the government of Ontario revise the grant for immersion students in English boards to be more in line with neighbouring French boards. We base this on the fact that five of our eight counties under the board's jurisdiction are bilingual communities adjacent to the Quebec border. So we see a real need in our schools in those counties to have more funding to supplement the French-language programs. Basically, all our families are 50-50 families, which leads to the need for improved French education.

Full-time junior and senior kindergarten: Prior to the provincial changes in funding that support kindergarten programs, our board had full-time programs. Our experience with full-time kindergarten has been very positive, as this allowed for more instructional time in our bilingual programs and in reading and mathematics studies.

1310

The report by the Honourable Margaret Norrie McCain and Fraser Mustard shows—as more and more research also shows—that the more opportunities children have for formal learning, the better their chances of success in school. For our children, meeting their educational goals is our primary responsibility, and we must take action now. Our board is not adequately funded to provide full-time junior and senior kindergarten, while our coterminous French boards have the available funds.

The recommendation would be that the government of Ontario recognize full-time junior and senior kindergarten enrolment for funding, so that in addition to French families, English Catholic families may also enjoy the benefit of early learning opportunities for their children.

Capital funding: The board fully supports the government's recognition that sound decisions about school facilities can only be made with long-term planning. To help boards develop a plan, the ministry provided a web-based capital planning tool that takes into account a full range of relevant public policy objectives, is transparent and informed by input from the public, and uses funds efficiently by representing the best long-term investment for capital funds in terms of new construction and maintaining existing resources.

To date, no announcement has been made as to how these future capital plans will be funded by the gov-

ernment, and some boards have committed all their current new pupil places grants towards principle and interest payments for existing debentures. So in a lot of cases capital funding has come to an end and projects have come to an end, awaiting future developments.

The recommendation is that the government of Ontario announce and distribute all capital related funding to boards in a timely fashion to enable time to plan and implement in a responsible, accountable, efficient and effective manner.

In closing, the Catholic District School Board of Eastern Ontario would like to thank the ministry for the opportunity to provide input to the 2006-07 school board operating grants. The issues identified are serious, and we look forward to the government's response to these issues so that we may continue to provide strong English Catholic education programs in eastern Ontario.

I draw your attention to the back of the booklet provided. There is a bar chart there which shows the funding we presently receive as being basically the lowest in eastern Ontario. The factors that I commented on earlier are what contribute to this. You'll notice that there's a little note at the bottom that says this comparison excludes grants for school renewal, the adult and continuing education program, and special ed. We kept that strictly to the operating grants and did a comparison, and we're certainly coming up short in comparison to other boards. We'd like very much that the provincial government would undertake to review this and act on some of the recommendations that we have included here today, and also the recommendations that we've been sending to the Ministry of Education over the last two or three years.

Thank you, Mr. Chairman. That concludes my presentation. I'm now available, along with Bonnie, for questions on our presentation.

The Chair: We'll begin this round with the official opposition. Mr. Hudak.

Mr. Hudak: Thank you both for the presentation. We've heard from a number of school boards. There is some unfortunate fallout from a rather extraordinary event where the Minister of Education basically entered into collective bargaining that was happening and has really forced a mandate upon the school boards to increase teachers' salaries significantly and, as well, to increase preparation time—so they're being paid more and are in the classroom less often—without giving you the due resources. Basically, in your first couple of pages you make the point—I'm trying to catch up to the number here; it's significant millions of dollars. If the committee came up with a recommendation that said the Minister of Education should not force unfunded mandates on the school boards, would you be supportive of that type of initiative?

Mr. Eamer: I guess, having said what we said earlier, yes, we would have to support that. On the other hand, our recommendation now is that the situation has been created, and we need help to address it. In our presentation you will also note that we were the second-

lowest-paying school board in the province prior to the framework being established.

Mr. Hudak: So approximately an 8% salary increase is what was downloaded on the school board by the McGuinty government's interference in collective bargaining.

Mr. Eamer: Yes.

Mr. Hudak: This morning and this afternoon one issue did come up to the committee: A proposal that there should only be one school board. We had that presentation, and there's a group that will be presenting shortly after yourselves. As representatives of the Catholic district school board, I anticipate that you would advise against a single school board for the area.

Mr. Eamer: Absolutely.

Mr. Hudak: Maybe you should go on record as to why the Catholic school board would disagree with that point.

Mr. Eamer: We do enjoy the right and the privilege to have our own school board, to have a Catholic school board and to promote our faith through the school board and so on. We think that we provide a service to our 600,000-plus students across this province in that we have a faith-based system that allows us to develop the total character of the student to an extent that is beneficial to the overall provincial citizenship or the general public of this province.

The Chair: Thank you. We'll move to Mr. Prue of the NDP.

Mr. Prue: Just in terms of your recommendations 6 and 7, it seems to be in this area that there is unequal treatment between those whose mother tongue is French and those whose mother tongue is English. Is that a pretty fair statement to make?

Mr. Eamer: Yes, and we're not knocking the funding the French boards get. I don't want to make it sound like that's a detrimental comment about their funding. We think they're privileged to receive adequate funding; we think they need the funding to do the job they do. But if they need that type of funding for the education of French children, we need similar funding, or almost similar funding, to educate our English children as well.

Mr. Prue: I just want to make sure I've got this information correct in terms of junior and senior kindergarten. What you're saying is that you don't have these types of facilities.

Mr. Eamer: No, we don't. We don't get funding for that, whereas they have enough funding, with the difference in funding per pupil, that they can offer the full-day program. In some of our bilingual communities, like the small town of Alexandria, which is just north of us, on one side of the street you can have full-time kindergarten programs, and on the west side of the street, you can't. On the east side, you get the full benefit of adequate funding. On the west side of the street, you don't, because on the east side is the French board, and on the west side is the English board.

Mr. Prue: Do parents register their children in the other language group in order to get this? There are ways around it.

Mr. Eamer: Yes, and I must say they have found their way around it in a lot of cases. English families are finding ways to register their children in the French school to take full benefit of the expanded programs.

Mr. Prue: You are also asking that the grant for immersion students in English boards be more in line with neighbouring French boards. Again, I take it that the funding formula or the arrangements they have with the ministry are more favourable to those French boards than to you.

Mr. Eamer: Yes, our French-as-a-second-language program is not funded to the extent that we need it to be funded. For the very same reasons that the French boards need additional funding, there are additional costs necessary to provide the necessary resources. We could see that improved in the five eastern counties, where we have 50-50 programs in virtually all of our schools.

Mr. Prue: In terms of dollars, what would it cost for you to come up to parity with the French boards in this area? This is the budget committee. They always want to know how much it's going to cost.

Mr. Eamer: The bottom line right there says, "Additional annual grants received." If we were to come up to the lowest—well, they're just about identical. If we were to receive funding similar to the French boards, we would receive an additional \$26 million a year. That's the difference right now, based on our 15,000 students. That is a lot of money. We could show you a system second to none in the world, I'll say, if we had \$26 million a year more instead of coming up \$1.5 million short, because the difference between that position and the one we've got now is significant.

The Chair: Thank you. Now we'll move to the government. Mr. Wilkinson.

Mr. Wilkinson: Thank you so much for coming. We appreciate that you're here. We'll make sure that your report gets to Minister Kennedy and also to Minister Duncan.

My question centres around the rural and remote. Many of the members here are rural. Can you discuss the school bus funding issue here? We hear across the province that that's where there's an inequity between boards.

Mr. Eamer: There's some inequity there. We've done a lot to consolidate our busing program lately. We do co-operate, where we can, with other boards in the area to maximize the use of transportation dollars. At the moment, we seem to be doing reasonably well in that area, but if changes that have been suggested over the last couple of years are enacted—am I right, Bonnie?—we're going to see a significant decrease in our transportation budget, which is going to force us to take a real long look at how we do busing and making children in remote areas walk an additional distance where safety is a real concern and so on.

We've changed bell times at schools so we can use the same bus for two and sometimes three schools so that we can get to them on time and maximize the use of those buses. We do what we call double runs and, on the odd

occasion, we have a triple run. We've done everything we can to maximize the use of transportation dollars at the present time.

1320

Mr. Wilkinson: Do you coordinate with your coterminous boards into one busing arrangement?

Mr. Eamer: Yes, we do, where it's possible because of the schools. You have to realize that our coterminous board has 130 schools, and I think we have 52 schools, so sometimes our transportation needs aren't identical, or the timing of our delivery of students wouldn't be such that we could share the bus route. But where busing can be shared, we certainly do that to maximize our savings.

Mr. Wilkinson: That helps us, because it's different across the province. For some boards, it's a tremendous problem between coterminous boards. One gets funding based on the formula that you were talking about—where is your board office? You were saying that because it's so close to Ottawa—

Mr. Eamer: The suggestion, I guess in the legislation, is that because of our central office's proximity to Ottawa, it should be cheaper to operate. Well, let me tell you, it's not. It's just a big block on the map that we have to operate around, because we operate right up into Lanark county and all the way out to the Hawkesbury area, which is on the Quebec border in the northeast corner, and down to the St. Lawrence River and the Quebec border on the southeast corner. It's a very remote board, yet because of the location of our central office, we're penalized and we're not allowed to access the full benefit of the distance component of the remote and rural grant.

Many people in the administration side of the ministry have indicated to us that that's a fault with the funding. They've been telling us that for three years. We've been asking for it to be corrected: "Please make an exception, and that will solve part of our problem." It hasn't happened yet. We ask you people today to really consider that. We're requesting that the minister take a long look at that and set somebody on the job and get it done. If you look at the map, if you look at the other boards and their proximity to Ottawa, they're exactly as close as we are. As a matter of fact, one has fewer counties than we do and gets \$2 million more. It's hard to understand.

Mr. Wilkinson: And your board office is where?

Mr. Eamer: Our board office is in Kemptville.

The Chair: Thank you for your presentation this afternoon.

Mr. Eamer: Thank you, Mr. Chairman.

CORNWALL COMMUNITY HOSPITAL

The Chair: I call on the Cornwall Community Hospital to come forward, please. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Ms. Jeanette Despatie: Thank you. I'm Jeanette Despatie. I'm the chief executive officer at Cornwall Community Hospital.

Mr. Nick Vlacholias: And I'm Nick Vlacholias. I'm the chief financial officer at the Cornwall Community Hospital.

Ms. Despatie: Cornwall Community Hospital is a multi-site community hospital in Cornwall. We have an operating budget of approximately \$85 million. We operate approximately 182 acute care beds with 65,000 emergency visits, 10,000 surgical cases, and about 100,000 diagnostic tests every year. The Cornwall Community Hospital is a new organization. We assumed the ownership and the operation of two former acute care hospitals in Cornwall on January 1, 2004. We are one of, or maybe the largest, employer in SD&G.

Overall, today we are here to discuss what is happening at our hospital and in the hospital sector as a whole. Specifically with respect to the health transformation agenda, the hospital accountability agreements and the development of the LHINs are the issues we will refer to.

In 2005, change remained the theme for the Ontario hospital sector. The wait time strategy, the ReNew Ontario infrastructure plan and the introduction of multi-year hospital funding plans are examples of positive change. Changes work when the government provides the inputs, the backup behind these initiatives. That might include financial and human resources necessary to make them work.

Specifically with respect to the hospital accountability agreements, Ontario hospitals, including Cornwall Community Hospital, are very supportive of the hospital accountability agreements and their principles. We believe that the hospital accountability agreements will create an environment of mutual accountability for funding and operating decisions between the hospital and the government. They will also provide hospitals with the flexibility that we need to operate within a fiscally constrained environment.

But any major change brings growing pains. For example, the hospital accountability agreement process was originally slated to conclude in November 2005. This really is for a fiscal year that ends in March 2006. It was a two-year, legally binding balanced budget. These performance agreements, for the most part, remain outstanding today. Cornwall Community Hospital is in the process of negotiating and finalizing our agreement. It is in everyone's best interests that we move on these agreements, that we proceed with the transformation agenda and address the obstacles.

Consequences of not dealing with this and remaining on timelines includes the uncertainty in the hospital sector for employees, and that is a direct relationship to our patients. Delays in concluding the process have prevented hospitals from implementing their efficiency plans and, quite frankly, addressing the deficits that do exist. Our deficit this year, for example, is forecast at about \$4.2 million. We are continuing to work with the

ministry to make the process a success and to protect patient care in the province.

Nick is going to speak in a little more detail around some of the other implementation initiatives.

Mr. Vlacholias: Local health integration networks are the keystone of the government's health system transformation plans and are designed to create a well-coordinated continuum of care. Experience in other jurisdictions indicates that system integration has been successful where governments made necessary upfront foundation investments in human resources, e-health information and communication technology. At the Cornwall Community Hospital, being a newly amalgamated consolidated hospital, we are in the process of changing all our IT systems to ensure the continuity of care across both sites and to allow for integration with regional systems. This does not come cheap.

Canadian health care information technology spending lags behind that in the United States. Canadian hospitals are approximately 1.8%, US hospitals are in excess of 2.5% and private industry is in excess of 5%. Our hospital only spends 1.2% of its operating budget, one of the lowest amongst Ontario hospitals. The Ministry of Health and the province of Ontario must increase the investment in e-health and information technology and remove barriers to investment in this technology.

The government must also continue to invest in providing funding for replacement of diagnostic and medical equipment. This has been proven to enhance the delivery of care. For example, last year the province provided funding to our hospital in the amount of \$2.2 million for replacement of our CT scanner. In only five months we have reduced our waiting list from 12 weeks to four weeks, using the same operational budget. We expect our waiting list to decrease even further. This year, funding is minimal. I think this committee should suggest to the government that the funding be revisited.

LHINs and labour transition: Bill 36, the Local Health System Integration Act, makes provisions for staff and services to be moved and/or reconfigured. The move to LHINs will almost certainly result in the levelling up of wages and benefits at both the LHIN and provincial levels. Our recent experience has proven that amalgamation initially costs more money. Our operating budget increased by \$1.1 million just because of harmonization costs. Efficiencies will only be achieved in the long term. The government should ensure that it is prepared to accommodate unintended—possibly large—costs of staff and service redeployment.

1330

Another issue facing hospitals is working capital. One of the best indicators of short-term and long-term financial viability is the entity's working capital. The working capital of hospitals has depleted over the past five years to a level where the financial viability of some hospitals had been undermined. The government must quickly address the \$1.3 billion in working capital deficits in hospitals across the province in order to restore the financial health of hospitals. The working capital deficit at our hospital is \$10.7 million.

Working capital deficits prevent hospitals from investing in efficiency-enabling technology; namely, information technology systems. Hospital funding is now being diverted to pay interest costs on working capital deficits. These are funds that can be better spent on patient care.

The other issue is basically capital infrastructure. The average age of Ontario hospitals is 43 years. Our hospital is at the average. Capital construction across the province is estimated to be approximately \$8 billion. The Cornwall Community Hospital has submitted a capital plan to renovate and expand our McConnell Avenue site to locate all services there. Once completed, the operational efficiencies are estimated to be \$2 million. Although we are delighted to be on the government's plan to renew hospital infrastructure, we are disappointed with the delay of our project to 2008. In the meanwhile, we are faced with these inefficiencies by operating two hospital sites. To counter this, the government has provided us with approvals to move forward with early works projects that will reduce some of the operational inefficiencies. Investments in hospital capital are really investments in patient care.

Ms. Despatie: In closing, we encourage the government to recognize that we need to invest up front in the change initiatives that are on the table so that we can achieve this success. Secondly, we need to establish a clean starting point for hospitals. That \$1.3-billion working capital deficit truly needs to be addressed. Thank you.

The Chair: Thank you. This round of questioning will begin with Mr. Prue.

Mr. Prue: What you had to say about getting the technology and reducing the service from 10 months to four months—I think that's what you said.

Ms. Despatie: The CT scanner.

Mr. Prue: That more or less says it all in terms of what the government is attempting to do. Why has it been so difficult in the past to get this kind of technology? I mean, you just got it, and it doesn't look like you're going to be able to make any kind of advance on that this year. What is the difficulty in getting this message across?

Ms. Despatie: I would suggest that it's the magnitude of the issue. We're one small community hospital in this province that has a capital infrastructure requirement of millions of dollars, and if we multiply that across the number of hospitals in the province, I suspect it really is the fiscal challenge and the magnitude of the problem. But we are pleased that we were able to improve the throughput and the delivery of patient care, at least in a small measure, through the CT scanner. Certainly today, in the medical environment, technology is absolutely crucial. In order to improve and maintain efficiencies, we need to make that investment.

Mr. Prue: The LHINs: I've heard some people are strong proponents, but there is also a group out there that isn't very happy with this. How is it working in the Cornwall area?

Ms. Despatie: I think it is early to evaluate the LHINs. At this point there has been very little to no real

direct involvement with the LHINs. They are just beginning to get up and running. We know and recognize that there are other interest groups that are not encouraged by what they see in terms of the development of the LHINs.

Mr. Prue: At this stage, it's really had no impact.

Ms. Despatie: That's correct.

The Chair: We'll move to the government.

Mr. Arthurs: Thank you for the presentation. I heard some of the earlier comments. I think for the most part you're seeing as positive the changes in the health care system that we've been trying to achieve through the transformation, in spite of the constraints you're faced with.

One of the things you were chatting about is e-health initiatives, and it's one that all governments have been engaged in. I think it's going to go on for a considerable period of time to realize the long-term objective. I think governments, for the leadership they've shown, and the health community can all take some credit for moving in the right direction.

You were referencing that there are particular barriers to being able to proceed in a more efficient, effective fashion, in a cost-effective way in providing better health care. Can you tell me more specifically some of the barriers you see to being able to take better advantage of e-health opportunities?

Ms. Despatie: I think it goes back to the same issue in terms of the investment in the technology, as Nick said. This is not cheap, but to get there it takes a huge upfront investment. I think that's really the barrier that we were highlighting. To get there, we need to have a recognition for that initial investment.

Mr. Arthurs: Would you see it as a priority financially from the standpoint of, one, being able to provide health care and, two, being able to have the system operate more cost-effectively in the longer term?

Ms. Despatie: Absolutely.

Mr. Vlacholias: There are many aspects to e-health initiatives. One related to patient care is the PACS environment, which is basically digitally archiving X-rays. Right now, we're looking at introducing that technology in the hospital, but it's very expensive, between \$2 million and \$3 million. But the savings associated with that with regard to the capital requirements—not needing areas to store film anymore; everything will be on hard disk—are enormous. The patient care aspect: We can focus more on patient care than just the capital.

Ms. Despatie: Absolutely. We have today, to a certain extent, talked a lot about the efficiency of results of these types of investments, but the improvements to the delivery of patient care are really enormous. The example that Nick gave is really quite significant: The physician who has ordered the CAT scan or the test doesn't have to wait for the film to be read and the report prepared, delivered to his office etc. He logs on to his computer almost in real time and gets the result of that test. So you can appreciate the turnaround improvements to the delivery of patient care.

The Chair: Thank you. We'll move to Mr. Hudak of the official opposition.

Mr. Hudak: A quick question, and then my colleague Mr. Runciman has some.

On the capital side, refresh my memory: Is the Cornwall project one of the HSRC-directed capital projects? Secondly, what is the funding split that the government has committed to on the capital side?

Ms. Despatie: The Cornwall project is an HSRC-directed project. It looks different than it did in 1998, but it continues to be one of those HSRC-directed projects. Secondly, the funding split is 70-30.

Mr. Robert W. Runciman (Leeds-Grenville): A couple of quick questions. The CAT scan you mentioned: I think you indicated that with your funding envelope this year, you're still restricted. You've been able, because of the new technology you acquired, to increase the number of procedures. On average, on a weekly basis, how many CAT scans are undertaken at the hospital?

Mr. Vlacholias: We perform approximately 9,500 per year.

Mr. Runciman: What's your capacity? That's operating on what sort of basis? Is that eight hours a day, five days a week?

Mr. Vlacholias: It's eight hours a day.

Mr. Runciman: Five days a week?

Mr. Vlacholias: Five days a week. We could increase the capacity to seven days a week and extend the hours if we had the operational funding.

Mr. Runciman: I'd just say you're fortunate. In Brockville, my hometown, where they had to have a CAT scan donated, they get no funding whatsoever. They have to take it out of their general revenue, their operating budget.

I'm curious about LHINs as well, because I think the hospital sector has been rather silent on this issue. Some of the concerns that we hear expressed are just conjecture at this point, I agree. But the centralization of services, for example: You may provide a specialized service now in Cornwall. At the end of the day, when LHINs start to dictate the terms, you may have certain procedures removed in terms of availability at the Cornwall hospital. In fact, you may have to travel to Ottawa, for example, to have any given service provided. Are there any of those kinds of concerns in Cornwall, and if so, whom are you expressing them to? I find the hospital sector mysteriously silent on the implications of LHINs to the communities.

1340

Ms. Despatie: Back to your question, is there concern around that? I think there is in terms of continuing to establish and define the role of the community hospital in Ontario. We see our role as meeting as many of the medical health needs the community requires as we can. We know we're not in tertiary health care delivery, but certainly we do have a full range of surgical-medical capacity at the hospital locally. It would be our goal, and it certainly has been discussed by the board of the hospital, to maintain those services. In fact, I had a meeting

with some of the representatives from the LHIN this morning, and that really is a goal that we articulate. We need to continue to recognize service as close to home as possible as being one of the most important principles for Ontario patients.

The Chair: Thank you for your presentation.

PASSIVE HYDROELECTRIC GENERATION

The Chair: I call on Passive Hydroelectric Generation. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I'd ask you to identify yourself for the purposes of our recording Hansard.

Mr. Michael Johnson: Thank you, Mr. Chairman. My name is Michael Johnson. I'm now a resident of Cornwall. I formerly lived in Toronto, and prior to that, in Renfrew, Ontario.

I have put together a package that I hope everybody is able to peruse, albeit it's fairly extensive. I almost feel guilty because I'm not here looking for any money. What I'm looking for is co-operation. Very few people understand what micro hydro generation is. It's relatively inexpensive; in fact, it's embarrassingly inexpensive to do. It's ecologically friendly. It's manufactured now in Victoria, BC, and in Sussex, New Brunswick, in Canada, but nowhere in Ontario or Quebec. Being from the Upper Ottawa Valley, with the rivers, the Bonnechere and the Madawaska, the Gatineau and the Coulanges, it's untapped potential. But here in Cornwall I live on the canal, and I know we could probably—even though I'm not an engineer, I do know how to do the calibrations. Using a combination of the type of machines that are in this package I've given to you, we could probably generate three times as much electricity as Cornwall could ever use, and we could do it for less than \$5 million, and that's a once-only cost.

Ontario is built around the water. In villages and towns, everything was built where they could put a grist-mill, and wherever there was a grist mill, the agrarian economy was satisfied because they could mill the grain. They also used it for sawmills. You only have to go to Upper Canada Village to see how simple it is. But that's the way we built this province, and then we ignored it, went away from it. We have so much potential, and passive micro has no ecological—you can't see it. I lived in Germany from 1977 until 1981. I was a member of the armed forces, a captain in the airborne regiment. I could never figure out how they had so much electricity, but it all came out of the Black Forest, out of the mountains, and it was all passive electricity. It's not a new concept. It's been around since the 1880s, and they practise it widely in the Third World. They do it in Thailand; they do it just about anywhere. Generating hydroelectricity in Canada and the United States is big business; it costs a lot of money. You can do the solar power or you can do wind power, but it's intermittent. The St. Lawrence River never stops flowing and the Madawaska never stops flowing and the Ottawa never stops flowing. But we're

not maximizing the potential with this type of technology.

The private sector would jump on this in a minute, but the big thing is that they say you can't because you've got OPG. You know, who owns the wires? Who owns the transmission? That's where I said the private sector would jump all over this. The present government wants to get rid of the coal-fired generators, and probably should. If we're going to meet the Kyoto Protocol, then we're going to have to do stuff. A nuclear reactor is—it happened in Russia once, and it happened once in Pennsylvania; look what happened. But the water never stops, and if it doesn't interrupt the ecological flow, then we can manufacture them.

One of the reasons, for selfish purposes—we've got 900 guys who lost their jobs at Domtar who all have to be retrained. Well, you're not going to retrain them to work in a call centre. I mean, they're all millwrights and electricians. But we could retrain them to manufacture these machines. It's a private sector thing that's a gold mine. Literally, for \$1,000 for something that's the size of a sump pump, you can generate enough electricity for three houses. And that's forever. These things last for like 25 years, guaranteed. My hydro bill in the little bungalow I have out on the canal—I pay \$1,200 a year. I'd buy one of these things in a minute. I have a cottage up in the Pontiac, and I'm putting one in in the spring for sure. It's a relatively simple technology.

We have to get back into the manufacturing process. It's something that's going to benefit everyone. I don't think it needs any governmental financial support, but it needs co-operation. There can't be any such word as "can't." Obviously there are going to be tweaks, we're have to realize. I lived in the riding Mr. Prue represented. Between Taylor Creek and the Don River you could probably provide the power for about 1,500 houses, and it wouldn't cost any more than \$1 million. It's as simple as that. It's done all over the world. It's not new technology. There's no patent on it. The patents have all expired because they were all developed in 1883. I'm looking at it as a win-win situation. We can generate jobs for guys who don't have jobs, we can build these things and we can put them all the way across the country. That's what micro-hydro is all about.

I'm not going to insult you by going through it, but I've given you—there are all different kinds. If you look at the tidal power that they generate in New Brunswick and Nova Scotia, they'd just reverse the propellers: The tide goes out, the tide comes back in. It's a huge source of hydroelectricity and it doesn't cost anything. It's not like coal. You don't have smoke, you don't have pollution, you don't have anything. It's water. You don't have to worry if the wind is blowing and you don't have to worry if the sun is out. Even if you do use wind and solar power, you've got to have batteries, and batteries are corrosive. They've got a negative effect on the environment, and they wear out.

Like I said, I didn't come here looking for money. I came looking for support and co-operation.

The Chair: Are you prepared for questions now?

Mr. Johnson: I certainly am.

The Chair: Very good. We'll begin with the government.

Mr. Wilkinson: I'll share my time with Ms. Mitchell.

Your proposal is that if you're near a watercourse, the electricity would go to somebody's house, or would it go into a neighbourhood?

Mr. Johnson: Ideally, it would be fed into the grid, but the existing grid is inefficient because it's not localized. You throw it into the Ontario grid right now and it could end up anywhere. You lose efficiency in the distance for transmission. So it would be more in tune with localizing the transmission.

1350

We have little villages here in the counties, Martintown and Crysler and places like this, where they could be generating electricity that would feed that particular area. There could be some costs involved in just isolating that, and then you have an override if something ever did go wrong, but right now, the grid is inefficient. That certainly contributes to the increasing costs of our hydro. Quite frankly, if we can reduce the cost of hydro, we can increase the possibility of industrial production. That's one of the key factors in things like Domtar leaving Cornwall: the cost of electricity.

Mrs. Mitchell: Thank you very much for taking the time to make the presentation today. I have a number of gristmills in my riding, and they do act as retailers and sell into the grid. One of the things that they have experienced is the amount of paperwork involved in dealing with OPG, but also, because of the age of the gristmills and the legal deeds, it can become very problematic as to how you move forward as well. Have you actually worked or assisted—

Mr. Johnson: My father was the maintenance manager for the Ottawa and Madawaska River plants for 38 years, and I spent my summers grinding and welding. What happens is that the runners at the bottom of the penstocks get pitted, so we had the enviable job of going down in there at 130 degrees and grinding them with grinders, welding them and then grinding the welds up to rebuild them.

Mrs. Mitchell: As a government we are strongly in favour of moving renewables forward, and certainly water power is very much that. What can we do that can make this more of a possibility for communities such as Cornwall?

Mr. Johnson: Well, I think the next step is that we can either buy them off the shelf or we can manufacture them. Like I said, for the community and for the counties, whether it's Brockville or Cornwall or wherever we do it—we lost some jobs, you know? This is relatively inexpensive to retrofit and start to develop, and then if you implement them—I'm not sure. I think it speaks for itself. If we can reduce the cost of power, if we can create jobs at the same time and we have a more reliable source of power—these things last forever. The Germans almost won the First and Second World Wars with these things.

The Chair: Thank you. Now we'll move to the official opposition. Mr. Hudak.

Mr. Hudak: Thank you very much for the presentation; very interesting. One thing I'd love to see happen—whether it's affordable or not remains to be seen—is encouraging individual homeowners or groups of homeowners to produce their own power, to lessen their reliance on the grid, which helps get to the situation you'd like to arrive at as well, whether it's windmills or solar panels or perhaps turbines. Is this technology adaptable in that sense, and how much would it cost if I wanted to get together with my neighbours and do something like this?

Mr. Johnson: I live on the old canal. There are four different locations where the water comes through. It's the equivalent of two of the major generators that are in there, and eight carried about 12% of what Ontario's requirements were for years. You could put one in for \$1,000 and you could do three houses, but you'd have to pay to wire it up. But there wouldn't be any difference, because it produces the same voltage: 120/208.

Mr. Hudak: In terms of property rights issues—

Mr. Johnson: Well, who owns the water? Like I'm saying, if you put the water in and then you wire up your house—I know that back up where my cabin is, I own 650 acres, and the creeks that are coming down there, nobody owns them but me. My cousin and I don't have any problem wiring up our place.

It's a major issue. In your case, Mr. Runciman, if you look at the current flow in Brockville, you could probably provide the hydro in Brockville for less than \$5 million, and that would be a once-only cost.

Mr. Runciman: I guess I wonder why this hasn't happened if it's as attractive as you're suggesting it is. One of the downsides is, a lot of the public utilities have been sold off to major corporations in the last number of years. But it seems to me, if this was attractive, why hasn't it happened, especially with municipal public utilities?

I'm a big supporter of what you're saying with respect to localized transmission. I think that is the way to go in terms of smaller generating facilities and not the dependence on the provincial grid. I think it is in bad shape. There's a lot of cost associated and power lost over the lines as well.

It's very attractive, I grant you. I'm going to send a copy of your submission to our energy critic, John Yakabuski, because this is a critical issue for the province over the next number of years.

Mr. Johnson: Mr. Yakabuski could probably generate enough electricity in his own riding to carry—he could be selling it at a profit.

Mr. Runciman: All these old mills have shut down over the years. We've all had them in our ridings. Certainly they have the ability during spring and high-water runoff periods to generate some energy. But I just wonder, if indeed this was a practical and feasible way to go, why it hasn't happened up to this point in time.

Mr. Johnson: It's significant in the Third World. It's big in Alaska. It's big in British Columbia. It's big in remote areas of New Brunswick. But it's almost too simple. It's like, "Keep it simple, stupid," but everybody

forgets that. You know about these gristmills. The water is just flowing and it's not doing anything. If you look at some of these turbines that I've defined in here, you don't even see them in the water. They don't interrupt the water flow; they just generate electricity.

The Chair: We'll move to Mr. Prue of the NDP.

Mr. Prue: It just sounds too simple. Are there any downsides? Is there any environmental damage? Does it stop fish populations? Could it be harmful if they got in the rotor blades? What kind of stuff can happen?

Mr. Johnson: That's an interesting question, Mr. Prue. I phoned my buddy, who is the lawyer for Greenpeace in Canada—his name is Rob Wright, from Toronto—last night. I woke him up about 11 o'clock. That's the first question he asked me: How many fish are we going to kill? I don't think it kills any because they have a protective cage around them so that they can't go through the turbine, and that's how they get around that.

Mr. Prue: Okay, so the water flow—it's like a steel net.

Mr. Johnson: There's a steel mesh that's around the outside of them. From a maintenance standpoint, you have to clean that out regularly, but you have to do that in a major dam anyway. That's part of the maintenance process.

Mr. Prue: That's what I was going to ask next, that it would involve maintenance, particularly in the summer if you've got zebra mussels or if you had seaweed or other things that would collect around the mesh.

Mr. Johnson: You have to clean the mesh, but they have to do that here in Cornwall at the generating station anyway. Someone has to go down. They have divers go down. They have screens and they have to clean them up.

The problem is, when they build a dam they cut what they call the headpond and they cut all the trees. You can get anything come floating down. It's what my father did for 40 years.

Mr. Prue: As long as the stream or the river or whatever flows, then it's logical that the electricity would continue. The only downside that I can see, from reading this as quickly as I could, is that in the wintertime it may not be available if the stream is not deep enough or if it's frozen to the bottom.

Mr. Johnson: There's a different process in the winter. You have to drill through the ice and then reinsert the pump, depending on how large it is. If it's not large enough to be able to maintain open water around it, then they drill, they put it down and they bring it up again. It's just a matter of preservation. But the flow of water in the winter is the same; if anything, it's increased this year.

The Chair: Thank you for your presentation.

Mr. Johnson: Thank you for allowing me the opportunity.

1400

COLORECTAL CANCER ASSOCIATION OF CANADA

The Chair: Would the Colorectal Cancer Association of Canada please come forward? Good afternoon.

Mr. Barry Stein: Good afternoon.

The Chair: You have 10 minutes for your presentation. There may be up to 10 minutes of questions following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Barry Stein: Thank you for hearing us today. My name is Barry Stein. I'm the president of the Colorectal Cancer Association of Canada. To my right is Mr. Jack Butt, from our government affairs committee. I will be making the presentation today, and we will both be available for questions.

First of all, I want to take you from the world of asking for money to the world of showing you where you can save money. It's a bit of a different scope, and I'm sure you'll like that idea. But there is a little upfront cost.

First of all, I am the president of the Colorectal Cancer Association, as I said, and I am a cancer survivor myself. I have metastatic colorectal cancer that travelled from my colon to my liver and to my lungs. I'm one of the rare long-term survivors in the country, but at a great cost, I have to tell you. I spent well over a quarter of a million dollars, both in Canada and outside of Canada, and that's just money that I spent.

Just out of curiosity, before I begin, has anybody around this table not had a colonoscopy? One, two, three, four—okay, so you should be very interested in this material, because I was diagnosed at the age of 40. The vast majority of the people are diagnosed at the age of 50; the numbers spike wildly high.

I've left you a package which shows some of the symptoms and signs of colorectal cancer. I'm not going to get into that now. I'd ask you to read that after. Suffice it to say that they're pretty easy to detect and that a colonoscopy or other screening methodology, such as a fecal occult blood test, could readily pick it up and we could avoid the whole cancer situation.

The Colorectal Cancer Association is dedicated to awareness and education about colorectal cancer, support for patients and their families, and advocacy for a screening policy across Canada and particularly in Ontario, as well as timely access to treatment. Colorectal cancer is the second-biggest cancer killer in Ontario for both men and women combined, you might be surprised to hear. Approximately 7,500 people were diagnosed with colorectal cancer in Ontario in 2005, of which it's about 50-50: 3,500 were women and 4,000 were men. Sadly, 3,050, approximately half the people in Ontario who were diagnosed with the disease, died with it, again 50-50.

These numbers indicate to you, ladies and gentlemen, the equivalent of a wide-bodied jet crashing every single month of the year. You can bet that if you heard that in the news every month, especially if you knew you could prevent it, your ears would be pretty much at attention to this type of matter.

Ontario has one of the highest rates of colorectal cancer in the world, actually, with diagnosis spiking at the age of 50. Many individuals are also diagnosed with this disease at a younger age, such as I was at 40, so

that's not to say that if you're under 50, you can't get it. You can; it's just that the numbers spike.

Colorectal cancer is extremely costly to the health care system in Ontario. In 2001—and you know we're in 2006 now—it actually accounted for 100,000 hospital days. This number is increasingly rapidly, as the total number of cases of colorectal cancer has increased annually. Even though there has been a marginal percentage decline, the number of cases and treatments have increased.

Colorectal cancer is preventable if caught in the early stages. A prevention program, including a population screening with a simple, cost-effective test, has been proven to significantly reduce deaths from colorectal cancer. However, only about 6%—only 6%—of Ontarians who should be screened are getting screened for colorectal cancer every year. The probability of successfully treating colorectal cancer is as much as 90% when it's detected early, compared to just 10% with advanced-stage disease.

Incidentally, an interesting little statistic that you might not be aware of is that one in 28 people are diagnosed with the disease and one in 16 die from it. If you go back to your Legislative Assembly and you look around, just keep those numbers in your mind and you're going to know how many people are touched by it—and who don't want to talk about it, by the way.

There is actually a consensus on this among experts in Ontario, nationally and internationally on the merits of a population-based screening program for men and women 50 years and over. Recognizing this fact, the McGuinty Liberal campaign platform promised to establish such a program. However, to date, the government has not made any commitment to an organized colorectal cancer screening program. As you know, Terry Sullivan and a group of other people from Cancer Care Ontario started a pilot project which was conducted between the years 2003 and 2004, and the final recommendations are with the ministry awaiting approval. That is exactly why I am here today, because we want to ensure that this gets passed and that there is a budget for it.

Apart from the fact that we can prevent pain and suffering and the financial ruin of many families, we can save thousands of lives and millions of dollars in health care costs. The loss of productivity isn't even included in that from those individuals who are taken out of the marketplace. We can immediately address this issue and phase in an awareness and education campaign—very little cost; in fact, our association would even participate in it—and couple this with a broad-based population screening program.

As I said, the Minister of Finance of Ontario recently mentioned that, "If health care costs continue at their current rates, they will consume 100% of the government's budget by 2020." The economic burden of colorectal cancer due to an aging population, increased hospital costs, skyrocketing treatment costs, new drugs, new biologics, escalating equipment costs, coupled with the loss of productivity and a significant loss of social

capital will have a crushing economic impact in Ontario, as it will in the rest of Canada.

As cancer costs in the province of Ontario continue to rise, accumulating both direct and indirect costs related to the disease, it's estimated that the cancer burden will rise by two thirds by the year 2020.

Cancer Care Ontario has estimated the cost of managing stage 1 colorectal cancer—that's the very earliest stage that you can have—at approximately \$20,319, while the cost of managing stage 3 cancer was \$39,182. If one assumes equal distribution of cases in all stages of the disease, a crude estimate of the average lifetime cost was about \$30,000. But these amounts continue to rise dramatically with new treatments of colorectal cancer utilizing new chemotherapies which, incidentally, the government isn't even participating in at this point, and shamefully so in cases such as oxaliplatin, which is the standard of care all over the world. Patients have to pay for it out of their own pocket here. New surgical techniques extend the lives of patients, enabling even stage 4 patients like myself to survive. The cost of that treatment is going to skyrocket well over \$100,000 per person. The math isn't very difficult to figure out when you have every year another 7,500 people being diagnosed with the disease.

Due to this overwhelming amount of evidence that colorectal cancer screening will save lives and millions of dollars, there's actually a consensus among experts, all major colorectal cancer and advocacy groups, charities involved in it—everybody agrees that a province-wide, population-based organized screening program with the smallest of cost, with the smallest effectiveness, even, will save thousands of lives, and that's the fecal occult blood test. That's not even asking people to go get a colonoscopy. We're saying, "Just do a simple stool test, smear test." That's it.

People like to know about evidence-based medicine. Three randomized clinical trials have demonstrated that an FOB test performed every two years can reduce mortality by 15%. But action has lagged, despite expert recommendations and government promises, and while we debate this matter, every year each and every member of this committee has constituents who have died unnecessarily from colorectal cancer.

1410

In 1999, there was an Ontario expert panel that recommended it. In 2002, there was a national committee of colorectal cancer screening, a federal commission, that recommended it. In 2004, Cancer Care Ontario launched a pilot project, and in fact those recommendations are before the government presently. The shameful fact is that we have an unacceptable, unnecessary, preventable loss of life in Ontario, bringing on unnecessary pain and suffering and an escalating and staggering financial cost as a result of this delay.

By investing relatively small amounts of money for the creation and implementation of a province-wide screening-based program in Ontario, we will not only save lives but we will save hundreds of millions of

dollars as the program takes effect. To boot, the government committed to implementing a provincial colorectal cancer screening program in its 2003 platform. We must make good on this commitment, which has not been fulfilled to date, and it is now time to make good on this promise and do what is right; do the right thing.

In conclusion, colorectal cancer is highly preventable through regular screening and early detection. If colon polyps are detected and removed, we know that we can prevent colorectal cancer from occurring in the first place. When we hear about the escalating hospital costs—we won't even have the patients in the hospital; there won't be a cancer.

The Ontario government has the opportunity to be innovative. I know that the government is very concerned; they want to be innovative. Here is an opportunity. It will make significant changes in the health of Ontarians, including reducing colorectal cancer incidence and mortality, avoiding the tremendous pain and suffering and saving millions of dollars.

The Colorectal Cancer Association of Canada is committed to working with government for the implementation of the following recommendations: The government should immediately invest in an organized, province-wide, population-based colorectal cancer screening program with—guess what?—a small investment this year of \$5 million for the year 2006-07. With a commitment to implement and ramp up the program over five years, the annual cost of the program in five years would be approximately \$30 million. We urge you to implement this program and dedicate the necessary funds to do so immediately.

I'd be happy to take any questions, as would my colleague Mr. Butt.

The Chair: Thank you. This round of questioning begins with the official opposition. Mr. Runciman.

Mr. Runciman: There are all sorts of things I could be talking about. We have very limited time. I very much appreciate your appearance here today. As Mr. Butt knows, my executive assistant died a few months ago of colon cancer which had spread to his liver, so I was kind of fascinated with respect to the similar occurrence with you and how you were able to deal with that. Perhaps we can talk about that later.

Mr. Stein: I'd be pleased to.

Mr. Runciman: I am curious with respect to the commitment made by the current government in the last election. We're now two and a half years into the mandate. I'm just wondering what kind of feedback you are receiving from the government with respect to why they haven't kept that promise up to this point in time.

Mr. Stein: Thank you for the question. I guess that would be a good question for the Liberal Party to answer, rather than me. However, I do know that the report is before the government. They should be considering it; hopefully they are considering it. My "ins" aren't that good into government yet. However, it is always a question of what is the most effective test at the right time and how much money they can devote to it. This is

the time to act; this is the time to be innovative. They have to do it. Now, coincidentally, the timing with this budget, the timing with this hearing, is the time to decide for it to happen. So I can't answer why it hasn't happened; I can only say that I'm hopeful that because of today's session it will happen.

Mr. Runciman: I heard that one of the concerns about colonoscopies is the potential for accidents. Do you keep statistics with respect to the frequency of tearing, that sort of thing? Certainly we all hear these horror stories, which tend to intimidate us to some degree about that sort of thing.

Mr. Stein: Sure. In about 1% of cases, a colonoscopy can perforate the colon; however, in the larger centres with experienced people doing these procedures, it's much less than that.

What we are proposing isn't colonoscopy, although it would be wonderful if we had enough equipment and people and compliance, and a host of other things, and no possibility of puncturing the colon. What we're suggesting at this point is smearing the stool on paper and creating hubs throughout the province where it would be analyzed. As the technology improves—for example, what's being developed in RNA tests in Ontario—it could replace that when the costs come down. We could replace the actual test utilized once we have a program set up.

Colonoscopy is the gold standard; however, we're talking about the asymptomatic population. As soon as somebody shows a sign, they would get a colonoscopy, for sure. But this is for someone with no signs. One per cent, though.

The Chair: We'll move to Mr. Prue of the NDP.

Mr. Prue: Just back to terms of cost—this is the finance committee, so the terms of cost of doing the FOBT. Anyone who went in to the doctor for a yearly physical would have the test. If the test came back positive or showed some kind of sign, they would be expected to go for a colonoscopy. How much can we expect this to add to the bills of the province?

Mr. Stein: I don't have those statistics with me today. What I can tell you is that the actual cost of the fecal occult blood test is minimal; it's \$5 or so. When somebody actually goes for a colonoscopy and gets into that, we know the cost of colonoscopies; however, there is problem in Ontario with coding. They're not coding equally with OHIP every time someone goes for a colonoscopy for screening purposes, for example. So we don't have those numbers. But suffice it to say that the proposal we're talking about, which is really the recommendation of Cancer Care Ontario, would be to create hubs so we would reduce those costs.

It's not so much the cost of doing the colonoscopy and those costs at the beginning, because if you remove the polyp, you avoid all the great costs of treatment. One current example would be a new biologic costing \$50,000 per patient for treatment. So it's really a small upfront cost to pay in proportion to the potential huge cost that would follow in treating the disease at a later

stage. An interesting point is that Dr. Linda Rabeneck of Sunnybrook, in the ICES report, indicated that the vast majority of cases that are presenting are perforated or blocked colons in emergency, immediately, showing that we're not doing any screening. It's coming at a such an advanced stage and an urgent case in the vast majority of cases.

I know it's difficult to answer the exact question in terms of the cost of the colonoscopy. Suffice it to say that the upfront costs of doing this are a heck of lot cheaper than the huge costs in treating it.

The Chair: Now we'll move to the government. Mr. Wilkinson.

Mr. Wilkinson: Thank you for coming in. We're just getting into the numbers. So it's \$5 million and it would ramp up. But your proposal is that we would encourage, I guess, every Ontario resident who is 50 or over to have a test every year. Is it every year?

Mr. Stein: I would say every year, but our recommendation is every two years.

Mr. Wilkinson: So the medical community says the way to catch it is 50 and up, very similar to breast exams and mammograms and the prostate exam, the PSA test for men. It's the same kind of concept.

Mr. Stein: Absolutely.

Mr. Wilkinson: I was just taking a look at the material you have. To have this test, which I wasn't too familiar with, it takes a couple of days to have one. It says in here that you would be on a meat-free diet for a few days so you don't have any food that interferes with the test, and then for one to three days you would provide some of these smear samples.

Mr. Stein: That's correct.

Mr. Wilkinson: Would it be voluntary or would we just say to the doctors that we expect this to happen now?

Mr. Stein: I guess it would be coded in as part of the annual general examination that a doctor would do for his patients. You'd be handed a kit and expected to follow up on the return of that. We have to create hubs throughout the province in order to do the analysis of these stool smears, and then we also have to follow up, because if you get a positive, you don't just want to leave the person out there; there has to be a follow-up.

1420

Mr. Wilkinson: I would see that you'd need to have some education for the medical community and some education just for the public at large beyond just the \$5 million. And then the idea is that when it ramps up to \$30 million over five years, that is pretty well catching every 50-year-old above that age every two years. Is that the idea?

Mr. Stein: That's right.

Mr. Wilkinson: And you have some evidence on the other side of what that would save when you get emergencies that don't present, and also you might have a spike in some of your other costing: colonoscopies, follow-ups, that type of stuff. And it would take a few years—

Mr. Stein: That's why you have to ramp it up, because if everybody did it at one time, you couldn't even handle it.

Mr. Wilkinson: But you have a cost curve in the short term, in the first couple of years, and then you get your benefit thereafter because you'd be having screening.

Mr. Stein: Absolutely. Did you want to say something, Jack?

Mr. Jack Butt: Just to add to that we've also communicated with Minister Watson, the Minister of Health and Minister Duncan, offering to provide information and assistance. In addition to our presentation today, what we're saying is that you can call on us, and we are more than willing to work with you as this program is accepted and implemented in the province.

Mr. Stein: I might indicate to you that all groups—the Canadian Cancer Society, Cancer Care Ontario, every patient group and, needless to say, ourselves—everybody is on the same page on this one.

The Chair: Thank you for your presentation this afternoon.

EDUCATION EQUALITY IN ONTARIO

The Chair: I call on Education Equality in Ontario to come forward, please. Good afternoon. I think you've heard this before, but I feel compelled to tell you that you have 10 minutes for your presentation. There could be up to 10 minutes of questioning. I ask you to identify yourself for the purposes of Hansard.

Mr. Leonard Baak: My name is Leonard Baak. I'm speaking to you today on behalf of Education Equality in Ontario, a non-governmental human rights organization and education advocacy group. We seek the elimination of religious discrimination and duplication in the Ontario school system through the establishment of a single publicly-funded school system for each official language, English and French.

Ontario's divided school system was born out of 19th-century realities. Ontarians of the day could generally be categorized as being either Protestant or Roman Catholic, and neither group had much tolerance for the religious teachings of the other. The laws of the day accommodated that intolerance by allowing for the segregation of students between the public system, which incorporated Protestant religious education, and a separate system for Roman Catholics. To assuage fears of eventual assimilation into a distinctly Protestant school system, the segregation became a constitutional right for the Roman Catholic minority at the time of Confederation. Over time, increased diversity led the public school system to become secular and religiously neutral while the separate school system maintained its religious identity. The rationale for segregating our school system in the 19th century no longer exists in 21st-century Ontario. It's time to move on.

Today, the uniqueness of publicly funded school choice and additional employment opportunities for the members of a single religious minority constitutes dis-

crimination that offends the equality guarantees of the human rights instruments to which Canada is a party. Our Supreme Court has stated that denominational school rights "make it impossible to treat all Canadians equally." Non-fundamental denominational school rights render our fundamental equality rights ineffective by virtue of their constitutional status. As you are likely aware, the UN human rights committee found Canada in violation of the equality provisions of the International Covenant on Civil and Political Rights by virtue of the discrimination in the Ontario school system in November 1999. They demanded that the situation be remedied by funding all religious education equally or by funding none at all. The committee censured Canada again on November 2, 2005, for failing to "adopt steps in order to eliminate discrimination on the basis of religion in the funding of schools in Ontario."

Upon taking office in 2003, the current Ontario government eliminated public funding for all but Roman Catholic religious education, exacerbating the very discrimination they were supposed to have addressed. At the same time, however, the government brought Ontarians tantalizingly close to religious equality through no funding for religious education. Last fall, they eliminated the right of certain religious groups to religious dispute arbitration, citing the need to have "one law for all Ontarians."

An elimination of all public funding for religious education would be consistent with that goal. It would also be consistent with statements by the Minister of Education and his parliamentary assistant, Kathleen Wynne, who in November 2005 stated that they would not support further fracturing of the public system through extended public funding for religious schools. This leaves one school system as the only viable and ethical alternative.

On a recent television show, Kathleen Wynne, the parliamentary secretary to the Minister of Education, repeatedly recognized that Ontarians must eventually broach the subject of the discrimination in our school system. She indicated that this is a conversation we must have, and we agree. This discrimination offends human dignity and the notion that Ontarians are equal before and under the law.

While addressing Chinese law students on a recent trade mission to China, the Ontario Premier expressed his hopes that China would soon ratify the International Covenant on Civil and Political Rights, the very instrument we were censured for violating only days before his address. Effective and strong advocacy for human rights requires a commitment on the part of the advocate as well.

In addition to the discrimination in our school system, the duplication in our school system entails a significant opportunity cost for all Ontarians, a cost that can be measured in diminished opportunities in education, health care or any number of other important public priorities. The Ontario Public School Boards' Association has stated that "the duplication of effort involved in

governing four independent systems has extensive financial ramifications.” The provincial standing committee on public accounts has also recognized that “the fiscal burden imposed by this decision”—that is, the decision to operate multiple systems—“has not been insignificant.”

In January 2004, trustee representatives from all four of Ontario’s school systems—public and separate, English and French—submitted a legislative review report to the Minister of Education. It recognized that the lower enrolment and more dispersed schools of English separate and French public school boards represented an inherent cost disadvantage that necessitated greater grants for geographic circumstances, transportation, and administration and governance to ensure a quality of service comparable to their larger counterparts. What it did not explicitly recognize, but is easily inferred, is that even those larger boards have lower enrolment and more dispersed schools than they would have under a single public system, thus requiring higher funding for those same grants as well.

Thousands of students are currently bused past their nearest publicly funded school each day to attend another publicly funded school. Under a single school system, average bus commute distances would shrink across the province, bringing fiscal, environmental, health and lifestyle benefits to all Ontarians. Many students now bused would find themselves within walking distance of their schools under a single system.

Here’s a quote from the Toronto Star: “Last November, the Ontario Public Health Association released a report that found children riding on school buses were at risk of being exposed to more polluted air. The association recommended the province set up a healthy school bus program, aimed at reducing harmful emissions from school buses. The OPHA said 800,000 provincial children take school buses daily and that this exposure represents a significant public health concern.” I would suggest to you that shorter commutes, or no commutes at all for some students, would help address this concern.

Another cost concern arising from the duplication in our school system concerns competition between co-terminous school boards. School boards across Ontario have been dealing with the reality of declining enrolment for some years now. This has forced many boards to consider the politically unpopular option of school closings. This has also given rise to competition for student market share. Such competition often entails significant costs, such as the \$750,000 marketing campaign of the Toronto Catholic District School Board in January 2005. Competition of this sort wastes money that should be spent on education. Worse, it only succeeds in shifting one board’s declining enrolment problem onto another. This is worse than a zero-sum exercise. Where one board wins, both still lose financially.

Another consequence of the competitive rather than co-operative relationship between Ontario school boards is lost opportunities for economies of scale. In a 2000 report on collaboration between Ontario school boards,

the Education Improvement Commission found that “collaboration is one of the most effective strategies available to school boards to ensure that they are directing as much money as possible to the classroom. Nonetheless, collaboration among boards has still not become the norm in Ontario.” This report concentrated on the successes of purchasing co-operatives but noted other opportunities exist in human resources, professional development, student support services, plant operations, transportation, program delivery and a full range of business services. The elimination of overlapping jurisdictions, and with them the motivation for competition, would do much to foster such co-operation.

1430

Ontario could move towards a single publicly funded school system with or without constitutional change. Constitutional change such as denominational school rights affecting one or more, but not all, provinces can be accomplished through a bilateral amendment between the affected province and the Parliament of Canada alone. Quebec and Newfoundland both eliminated denominational school rights through such an amendment in the late 1990s. The Newfoundland amendment was proclaimed just four months after being requested by the provincial Legislature. Manitoba eliminated denominational schools unilaterally in 1890, despite a constitutional obligation to provide them virtually identical to Ontario’s.

I believe that today I have laid out for you the necessity to address the discrimination in our school system and some of the benefits of a unified school system as a remedy. I hope you will give them your serious consideration. I hope you will recommend that the government seek constitutional change to establish the primacy of fundamental equality rights over non-fundamental denominational rights. We want equality for our children and ourselves. We want to see better stewardship of the financial resources committed to the education of our children. One school system will address those concerns, and those of the UN. Unlike many of the groups who present to you—an exception this afternoon, I guess—we come, not with a cap in hand, but with a proposal to help fill those caps.

Thank you for the opportunity to speak to you today. I would be happy to take your questions.

The Chair: Thank you for the presentation. We’ll begin this round with the NDP.

Mr. Prue: Sir, this argument has been made for some time. I do know that within my own party there is considerable support for what you’re saying.

The problem though, always comes back to: those people who want to continue the system not only have the constitutional right but they’re quite adamant in maintaining it. My colleague Mr. Hudak asked the question of one of the representatives here today from the Catholic school board, who was quite adamant that he has no interest.

How do you propose to get their interest? Because I think if they saw the merits of your argument and acceded to it, this would be relatively easy.

Mr. Baak: There is something I can read you that might be relevant here. This is from the Halton region Roman Catholic board website. It's from a document I found there:

"Our continued status as part of the publicly funded education system is not only dependent on legislation ... but it is also dependent on the political commitment of the prevailing government of the day, and the political will is in no small way influenced by prevailing public opinion.

"Survey results of a Vector poll for the Canadian Opinion Coalition, conducted in June 2001, presented a very disturbing challenge to Catholic education from within. The results stated that 56% of Catholics who responded to the poll indicated that they believed a unified school system (Catholic and public) would cost less to run and save money, while 52% of the Catholics polled said that a unified board would be more accountable and provide better education."

I have no doubt that those who are really dedicated to keeping this system—and it's a fine system; I have no issues at all with the quality of the system—would fight to keep it. But my point is, I guess, what right do they have to publicly funded choice that other Ontarians don't have? I think the only way we can offer that ethically is to offer it to all without discrimination.

Ontario Catholics now make up 34% of our population; there's a new census to be taken this year. But if, as this poll says, more than half of them support a single system, then I think perhaps the opposition might be greater than people think it would be.

Mr. Prue: I went to the public school system, and one of the advantages I think I had by going to that system was that there were people in my class literally from every religious and racial background. There were Catholics, there were Jews, there were Hindus. I'm just trying to think of all the people I ended up going to public school with. That enriched me. That was an amazing thing for a kid to know about that I don't think I would have ever got had my school system been one-denominational.

What kind of arguments do you get from those who do want a one-denominational school system, be it private or separate?

Mr. Baak: I sympathize, but I think, as you mentioned, the state has an interest in fostering tolerance for other people and for other cultures. Indeed, at the UN in 1999, when the federal government was arguing on behalf of Ontario to not extend funding—because that's what other religious groups in Ontario were after too—the complainant was saying that "the state party's rationale for the discriminatory treatment of religious schools, the desire to foster multiracial and multicultural harmony through maximizing public funding for the secular school system, would actually require the withdrawal of special funding for Roman Catholic separate schools."

They tried to argue that one of the strengths of the public system is that it fosters tolerance and understanding, yet at the same time they seemed to argue that

the Catholic system was somehow outside of that argument or escaped that argument. So other faiths couldn't have it because it was contrary to this goal, but at the same time they were trying to argue that one faith should keep that.

The Chair: We'll move to the government. Mr. Wilkinson.

Mr. Wilkinson: Great. Thank you for coming. Just to help clarify this for me, the argument you propose is that all children are able to go to a publicly funded school, but there are two school systems—actually four, because you add the language part to it. So your contention has to do with the faith-based system, particularly the constitutionally protected Roman Catholic system, the separate system. Are you saying that to make it fair, to prevent discrimination, the state should pay equally for all faiths, or that it should be completely secular?

Mr. Baak: No, sir. Our presentation, and I thought it was clear in there, is for one school system.

Mr. Wilkinson: It is. I just want to get to that. So it should be one secular system, although there could be two secular systems based on language, one French and one English, depending on what numbers warrant?

Mr. Baak: We have two official languages in Canada. Undoing denominational school rights in Ontario is a relatively simple political process. The provincial government just has to ask Ottawa to initiate the process, and in Newfoundland's case we can see how fast it would happen.

Mr. Wilkinson: But in both Newfoundland and Quebec there were referenda on that.

Mr. Baak: I don't know about Quebec; they did some polling and they had the Proulx task force. But in Newfoundland they had two referendums.

Mr. Wilkinson: They had a referendum. I think Ottawa put a precondition that there would be a referendum before it acceded to the request of Newfoundland. In other words, that gave it its legitimacy. So do you see that what would be required is a referendum on that question?

Mr. Baak: That could be a tool, but we believe this is a fundamental question of human rights. It's a fundamental question of equality. Our Constitution, as our Supreme Court Justice pointed out—and I quote him in here—makes it impossible to treat Canadians equally. I wouldn't have any problem with putting this to the people of Ontario in a referendum. This is a debate we want to initiate, and we want to get going.

Mr. Wilkinson: My final question, then: If Catholic education is constitutionally protected for them as a minority—and I understand your argument about that, that it's not fair—is it your position that the majority of people in a province should, by way of referendum, be able to say that a minority right should be eliminated?

Mr. Baak: Giving special rights to minorities is, I think, probably okay ethically if that minority is disadvantaged in some way. The privileged minority, in this case, can claim no disadvantage that I'm aware of that might warrant such special treatment.

The Chair: Now we'll move to the official opposition.

Mr. Runciman: Thanks for the presentation. It's quite interesting. It's not a party position, but I have to say personally that I think, on the surface, in any event, what you're proposing here makes an awful lot of sense. I think people standing back and looking at the system in Ontario have to shake their heads when they think about the duplication and the redundancy and costs associated that could be put into the classrooms to better educate the kids in the province of Ontario.

Could you tell me a little bit about your own organization? Who funds you? What's your organization all about?

Mr. Baak: We're funded primarily by me. We get some help from other members, but I make a significant personal commitment myself. I'm hoping we'll find more donors as we start to branch out. We would like to see other groups like ourselves start in other cities in Ontario to assist in pushing for this. Our next big push is going to be to see one established in Toronto; we've got some interest down there.

1440

My organization started at my initiative. I'm a church-going Christian. I applied to the local separate school, in my neighbourhood actually, to have my kids go there for kindergarten because the local public school was so overcrowded that they were shipping kids out of town, and the separate board didn't have to do that; they weren't that overcrowded. Well, neither my wife nor I are Catholic, so practising Christian or no, we were turned away from that system and my kids ended up going to private school for two years, at considerable expense.

From the day I moved to Ontario, I thought it was unfair that they had their own system, that only one faith group had that, that it was very wasteful. But that helped mobilize me to form this group, being the victim of discrimination in that case.

Mr. Runciman: Is there any other province in Canada currently with the sort of proliferation of different school boards that Ontario certainly shoulders?

Mr. Baak: As far as I'm aware, there are constitutionally protected denominational school systems in Saskatchewan and Alberta. We've also been in contact with people in Saskatchewan. I was talking to one as recently as last night, a university professor there, who's very interested in starting a group like ours in Saskatchewan, focused on that province.

Mr. Runciman: I gather you don't have the resources to provide us with any kind of indication of what the cost savings might be by achieving this goal.

Mr. Baak: No. I don't claim to be any sort of expert in school board finances. What I've tried to provide you with is the results of my research into what the experts are saying. I think there seems to be a pretty broad consensus that this duplication isn't free.

Mr. Runciman: Thanks very much.

The Chair: Thank you for your presentation.

ST. JOSEPH'S CONTINUING CARE CENTRE

The Chair: St. Joseph's Continuing Care Centre, would you please come forward. Good afternoon.

Ms. Bonnie Ruest: Good afternoon.

The Chair: You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Ms. Ruest: I would like to welcome the members of the standing committee to Cornwall and thank you for the opportunity to present our case statement today. My name is Bonnie Ruest, and I am the executive director of St. Joseph's Continuing Care Centre, which is located in the city of Cornwall. The centre is operated by the Religious Hospitalers of St. Joseph of Cornwall, Ontario. At St. Joseph's Continuing Care Centre our vision is to be innovative leaders in quality continuing care, committed to the dignity and well-being of the community we serve. Our centre includes a 150-bed, class D long-term-care home operating as St. Joseph's Villa, located on York Street, and Hotel Dieu Hospital, a 59-bed complex continuing care facility, which currently operates at the McConnell site of the Cornwall Community Hospital.

It is important to highlight for the committee that we are embarking on a capital redevelopment project which will result in our operations moving to a brand new, state-of-the-art 209-bed facility on York Street. The new St. Joseph's Continuing Care Centre has been designed based upon a long-term-care and hospital co-location model to maximize administrative and support efficiencies while also providing an integrated continuum of care focused on individualism and the concept of enablement. The capital budget for the total project is estimated at \$33.7 million. Project funding in the amount of \$18.3 million will be provided by the Ministry of Health and Long-Term Care through both capital grants and long-term-care per diem funding.

We would like to express our gratitude to the government of Ontario for their support of this very important project. The project duration is forecast to be 32 months, with expected completion in late fall 2008. This project represents the beginning of what the government has coined "the health care renaissance" for our area and is welcome news to the entire community.

We are encouraged by many of the strategic directions the government has committed to with respect to health care, including the health transformation plan. The introduction of the hospital accountability agreement, a two-way accountability framework with a multi-year funding context, has facilitated planning for program delivery and added stability to our hospital sector.

We are also encouraged by the emerging e-health initiatives, particularly the continuing care e-health priorities and projects which aim to establish universally accepted clinical and business standards across our sector for the benefit of providers, residents and clients. With respect to the e-health initiatives, we welcome and

recognize the potential benefits for all stakeholders; however, we feel it's imperative that the government recognize the need to establish a funding framework to implement and sustain the technological changes in the long-term-care sector.

It's noteworthy that the government investment in diagnostic and medical equipment enabled us to purchase replacement equipment and retrofit our building with the necessary security systems to achieve compliance with the Ministry of Health and Long-Term Care standards.

Despite these encouraging developments, we remain deeply concerned about the challenges we are facing in the provision of care and the sustainability of our services, particularly in long-term care. One of the biggest challenges we face is the shortfall in the level of funding for direct resident care in this sector. The government made a pre-election promise to increase funding for every resident of a long-term-care facility in the province by \$6,000. That promise represented a \$450-million annual boost to base operating funding or an increase of \$16.44 per resident per day. Since that pre-election promise was made, the government has announced increases totalling \$144 million in the last two budgets for the provision of direct care and services to residents. These increases amount to \$5.25 per resident per day, far short of the promised \$16.44.

In terms of what this chronic underfunding means for our residents at St. Joseph's Villa, let me share the following statistics that have been derived from our current operating plan.

Right now, residents receive 2.3 hours of nursing and personal care over a 24-hour period. We believe that this is an unacceptable level and that we should be funded for a minimum of 3 hours per resident per day.

On average, we have one registered nurse looking after 75 residents during the daytime and one registered nurse looking after 150 residents at night.

We are expected to provide nutritionally balanced meals and snacks to our residents on a raw food budget of \$5.34 per resident per day.

On average, we have one personal support worker providing care for 10 residents at any point in time.

In addition to the funding challenges, we are faced with care need challenges. Our residents are older, frailer and in need of more complex care. Here is a snapshot of our residents at St. Joseph's Villa based on our 2005 resident level of care classification data: the average age of our residents is 86, 79% are female, almost all of our residents have multiple chronic illnesses and require special care, 84% need assistance with dressing, 85% need assistance with toileting, 60% have a mental health problem such as dementia and 100% of our residents need some form of assistance with feeding.

1450

I hope you can appreciate that the funding challenges, coupled with the level of care challenges, are really creating a crisis situation for us.

As a charitable home for the aged, our sources of revenue are limited to the per diem funding, a small

amount of preferred accommodation and charitable donations. In 2004, based on our audited annual reconciliation report, we provided 53,965 days of resident care at a total cost of \$6,429,000, which translates to a per diem cost of \$119.14. Based on these numbers, we appear to be able to manage our levels of care appropriately within our budget. What these numbers don't reveal is the fact that it was necessary for us to subsidize the cost of nursing and personal care to residents with savings from our other accommodation funding envelope.

As we plan for our new facility, our pro forma budget estimates clearly indicate that we will be required to use all of our other accommodation funding envelope to meet our long-term-care financing repayment obligations. In essence, we will no longer be able to reallocate funds from this envelope to subsidize the delivery of nursing and personal care. What we will be facing is a situation whereby we have a beautiful, state-of-the-art building but are required to decrease the already too-low level of direct resident care staffing in order to balance our budget.

Long-term care is a relatively low-cost alternative within the very expensive health care system. We continually strive to provide the best care possible while remaining within our budgeted allocation. However, the system has reached a breaking point. Our residents are the most frail and vulnerable in our society. They deserve more, and we can give more with the appropriate resources in place.

In summary, we would like to leave the committee with two key recommendations to bring forward to the Legislature, the first being that the government increase the funding to residents in long-term-care homes in the 2006-07 provincial budget by \$4,084 per resident, or \$11.19 per resident day. The second recommendation is that the government develop a framework to make required resources available to health partners to implement and sustain the technology infrastructure needed to achieve the e-health priorities.

Thank you once again for your attention today, and I'd be pleased to respond to your questions now.

The Chair: Thank you. We'll begin the questioning with the government. Mr. Arthurs.

Mr. Arthurs: I will share my question with Mr. Wilkinson. I think he probably has some as well. You've acknowledged the fact that since taking office we have made substantial improvements to long-term care. You've mentioned that we're at the breaking point, and it's taken some time to get there, obviously. Where do you see the priority needs over the next year or two if one can't achieve a \$4,000-per-resident enhancement in 2006-07? Is it in the area of personal care activity enhancements; is it the direct nursing support?

Ms. Ruest: Are you aware of the way the funding is structured in long-term care? It's delivered through a per diem and there are various envelopes. I think it should be clearly stated that the priority envelope is nursing and personal care. That's the most important envelope.

Mr. Arthurs: Thank you.

The Chair: Further questions? We'll move to the official opposition. Mr. Hudak.

Mr. Hudak: Tell me a bit about the structure of St. Joseph's: It's a charitable home, so is it a private corporation, not-for-profit?

Ms. Ruest: That's correct. It's a not-for-profit corporation.

Mr. Hudak: And the 209 D-level facilities being rebuilt under the per diem formula—this is the announcement from 2002 or so?

Ms. Ruest: In fact, the 209 beds are composed of both long-term-care beds—150 D class beds—and 59 complex continuing care beds. I might further elaborate that part of the ability for us to manage within our needs now is that we are achieving efficiencies because we share administration between long-term care and the hospital component.

Mr. Hudak: How is the expansion project or the new capital project financed? Is it with the per diem model on the long-term care side and then additional capital funding?

Ms. Ruest: Actually, there are two phases to the project; we require two approvals. It was a very interesting process, because we were dealing both with the long-term-care redevelopment office and HRIT. So in fact we did get capital grants for the hospital piece, and then the long-term care—the ministry's share—will be flowed through us through the per diem funding for 20 years.

Mr. Hudak: On the long-term-care side, when was that granted? Was that part of the long-term-care restructuring from around 2001, 2002?

Ms. Ruest: Yes. In fact, we were designated a D-class facility in 1998, so it has essentially taken this long to get to the groundbreaking point.

Mr. Hudak: Is that because the two were combined, or was there a problem raising your side of the financing?

Ms. Ruest: No, it wasn't a financing issue. There were new directions issued for Cornwall with respect to health care restructuring, and then there was some complexity around the fact that we needed the two approvals from the different branches of the Ministry of Health that prolonged the process. But we're there now.

Mr. Hudak: And you're scheduled, you think, to open up the new facility at about what time?

Ms. Ruest: The entire project is 32 months. It will be staged, so long-term-care occupancy will probably be within the next 18 months. We had to stage the project in order to prevent any temporary relocation of our residents.

Mr. Hudak: That's great. Good luck. It's nice to hear.

The Chair: Thank you. We'll move to Mr. Prue of the NDP.

Mr. Prue: I've heard some of the statements before, but I want to get to the food component, because that's a little bit troubling to me: \$5.34 per day per person. Many of the people, as you've quite correctly said, have multiple health problems. My own mother-in-law was in

a home until she died. When I visited her, very often there were people feeding the people who lived there. A lot of the food had to be mashed or strained. There were all kinds of things that had to go on. I cannot imagine that \$5.34 is sufficient to feed a person for a day.

Ms. Ruest: The \$5.34 represents the raw food budget. The cost of preparing the food and delivering the food is over and above that. But you're right, Mr. Prue. It's a very tight budget, because the expectation from the ministry standards is: nutritionally sound; the dietitian has to be involved; it has to be well-monitored. It is a challenge even to try to stretch that \$5.34 in the purchase of raw food.

Mr. Prue: Have you got any kind of indication that you could give us of what it would cost to make it nutritionally sound, that the dietitian would do it so that it would be food that people would want to eat. There's a whole range of things that have to be asked. What is really needed to feed a person: \$6, \$7, \$8, \$9?

Ms. Ruest: There was an argument put forth a few years ago by one of the long-term-care associations that \$10 would have been adequate. That was comparable to what was being allocated to prisoners in the correctional system at the time. The argument was that prisoners actually benefited from better quality food than residents of long-term-care homes.

One of the challenges also is that, as a not-for-profit home, we don't generate a lot of preferred accommodation revenue. Some facilities have the ability to generate preferred accommodation revenue, and they use some of that revenue to subsidize their food operation. We're required to basically manage on \$5.34 a day. I would say that any increase to that amount would be welcomed by us.

The Chair: Thank you for your presentation.

Ms. Ruest: Thank you very much.

MARK MacDONALD

The Chair: Mark MacDonald, would you please come forward? Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would just ask you to identify yourself for the purposes of our recording Hansard.

Mr. Mark MacDonald: Thank you, Mr. Chairman. My name is Mark MacDonald. I'm a councillor with the city of Cornwall, although I'm here today as an individual. I'm not representing city council. Our mayor was on earlier this morning.

Mr. Chairman and members of the committee, my background is the fire service. I spent roughly 25 years in the fire service. I retired a couple of years ago and then ran for city council and was fortunate enough to get on. What I want to speak to you about today is, I want to try to bring you a resolution to all the problems that everybody is bringing you.

I did some research, went back in the records and read some of last year's Hansard notes. I found that a lot of

the presentations were repetitive, that it all comes down to money. Everybody's after money, money, money. So what I hope to bring today to the committee, and the message that I want to bring forward to the Premier, is a message of resolution and a way to resolve the issue.

As I said, my background is the fire service. I spent the last couple of years in fire investigations, where we would go in and determine the origin and the cause of the fire. How that relates to my presentation is that it's important to focus in sometimes on the origin before you can determine the actual cause of the fire.

1500

I want to thank you for coming to Cornwall today and, if you have the chance, if you're staying in Cornwall overnight, we have a couple of new facilities in Cornwall. We have a brand new swimming pool down on the waterfront. I don't know if you're had the chance to see it or had a chance to visit there, but if you're staying in Cornwall tonight and you need something to do, I would recommend that you go and visit the swimming pool. It was just built with money from the provincial and federal governments. Right beside the swimming pool we have a brand new curling facility. We got money from the provincial and federal governments for that, as well as municipal money.

Like I said, it's all about money. I read back in some of the notes, and I read that you were in Timmins on Tuesday and then Kenora yesterday. After you leave here, you're going to be in Niagara Falls, and then Sarnia next week. The message that I wanted to bring—and how significant it is that you're in Cornwall at this time, in terms of timing—is that we just went through a federal election, and our new Prime Minister is going to be in the process of making up his new cabinet. It was extremely interesting for me to read last year's report that was tabled in the provincial Legislature, especially with regard to the dissent that was written and the participating members who were on that committee who were part of that dissent. The one name that jumped out at me was the name of Jim Flaherty. Why that's so important is that it's been bantered around or talked about that he may play a significant role in the federal cabinet, maybe even finance minister.

What was interesting in the dissent—and I just want to read one of the paragraphs, because this kind of sums it all up. It's got to do with the equalization payments that the province of Ontario gets from Ottawa. This was written last year in the dissent that was tabled in the Legislature: "Ontario and Alberta are the only provinces who currently do not receive equalization payments from the federal government. It is estimated that approximately 44% of federal revenue is generated by taxpayers in the province of Ontario. That means that under the current agreement with Ottawa and the 12 other governments, \$700 from each and every Ontario taxpayer is used to subsidize programs outside of our province." The end result is a \$23-billion gap between what Ontario pays out and what we receive in the form of government services. It was agreed by the opposition last year that

Ontario should obtain a better deal with respect to equalization and the sharing of surplus federal revenue."

Mr. Chairman, I respectfully submit that the message that I want carried forth to the Premier is that it's time that Ontario dug in its heels with regard to this issue. I know that with the makeup of the new federal government, Quebec is going to have a lot of leverage in terms of the balance of power in the House of Commons, and Quebec is going to be after a better deal, a better deal and a better deal. Well, it's time that Ontario really dug in its heels and, especially with regard to Jim Flaherty, that we hold his feet to the fire on this issue. He's the one who said last year that Ontario should be getting more. We're talking about a \$23-billion gap. I think that in terms of bringing that message forward, we have a prime opportunity to do that. With that, Mr. Chairman, I've made my presentation.

The Chair: Thank you. We'll begin the questioning with the official opposition. Mr. Hudak.

Mr. Hudak: Thank you very much, Mr. MacDonald. You're right; thank God there's change. We've got a good guy like Flaherty in there fighting for the province of Ontario. Another former colleague, John Baird, as well, whom I think you probably know, will be a strong advocate for the province of Ontario. Marilyn Churley was another member who left the assembly. Unfortunately, she didn't win, but she was one that we had great admiration for, and would have made a great MP herself.

I think there's no doubt that the imbalance between the taxing authority and the program delivery responsibilities that the federal level has, compared to the provinces, has created this imbalance right across Canada, right? We have health care and education, two of the major growth areas. When you see the federal government reaching into areas of provincial jurisdiction, it's problematic. I'd much rather see that money transferred to the provinces to address the issues rather than them coming into what has traditionally been—and is constitutionally—provincial territory.

The one thing that I think we need to do at the same time, though, is make sure Ontario is strong. I don't like the notion of the beggar-thy-neighbour stuff. When Alberta was doing quite well, Dalton McGuinty seemed to have a bit of envy for Alberta and wanted to sort of take their money away; at least, that was the impression I received. I do like the notion of Ontario's being the lead province still and having a view towards helping out all of Canada. So at the same time we address the fiscal imbalance, it's important for us to make sure Ontario is strong and contributing. I don't think any of us want to see Ontario become a have-not province and take money from other provinces. Would you agree with that point of thought?

Mr. MacDonald: I'd agree.

Mr. Hudak: Any ideas on what we can do to make sure Ontario's place in Confederation stays strong? How do we make sure our economy is producing jobs—manufacturing jobs, like we used to—instead of seeing places like Domtar close here in Cornwall?

Mr. MacDonald: Right. There's no doubt that we've been hit hard in Cornwall.

You make the comment about Ontario being strong. The way I understand the federal agreement is that the strong provinces pay for the—I think you used the term “have-not province.” It's been viewed that Ontario is a have province and that we share with the have-not provinces. But with all the strain that our services are under, and that really came to light in terms of—on municipal council I see all the demand. You must hear it a thousand times over in every municipality you go into: “We need more money for paramedics. We need more money for land ambulance. We need more money for social housing, social services.” I think the idea would be, in answer to your question, for us to keep more money in Ontario, because we're slowly becoming a have-not province, in my opinion.

The Chair: Thank you. Now we'll move to Mr. Prue of the NDP.

Mr. Prue: There are at least two ways the federal government can devolve money down to the provinces. One is the old way, by giving grants or monies. The second has only been done once, to my knowledge, back in the Trudeau era: the transfer of tax points. It's pretty simple: Taxes go down in Ottawa, and they go up in each of the provinces a corresponding amount. Which one do you think would be best for Ontario: the transfer of tax points or enhanced grants?

Mr. MacDonald: On the surface, without doing a lot of research into the background, the second option sounds more appropriate, in my opinion, because it would be long-term rather than just a cash injection.

Mr. Prue: Good. I like that. All right. Good answer.

There is the continuing problem, though, of the imbalance, and all three parties in Ontario think there is an imbalance. Some of us quibble over whether it's \$16 billion or \$23 billion, but there's no question there's an imbalance. There's an imbalance between the cities and the province as well. The city of Toronto says there's an imbalance of \$3 billion, and they want the province to come across with some or all of that \$3 billion. I'm sure Mississauga and London and Ottawa will probably also be able to do a calculation. Where does this stop?

Mr. MacDonald: You raise a very good point. I think that the only way to move any issue forward at any level, whether it's at the municipal level, the provincial level or the federal level, is to have an all-party agreement, as you said. All parties have to agree, and in my opinion this is an issue where all parties could agree. All parties, as you stated, can get together and say that this is an issue that we should move forward on. So where does it stop? I think that it has to stop. Ontario and our Premier and all parties have to take a real, firm, strong stand on this and say that it's time that Ontario really dug in its heels in this regard. And the only way to do that is to have an all-party agreement.

The Chair: Thank you. Now we'll move to the government. Mr. Wilkinson.

Mr. Wilkinson: Thanks for coming, Mark. I think you've hit the nail right on the head. Just for a little bit of

background. First, the resolution of the Premier to address this imbalance is something that has been supported by all three parties, and we appreciate that. The second thing is that the issue of the gap of \$23 billion was brought forward by the Premier and made an issue last year. I don't think Mr. Flaherty was in dissent with the committee about the need to address the fiscal imbalance, so I think we have unanimity there. The really interesting thing is that about 10 years ago that imbalance was \$2 billion and now it's \$23 billion.

1510

What the Premier has been very clear about is the need to have a strong Ontario within a strong Canada. We are not saying that the provinces that are receiving equalization should receive less. What we're saying is that the federal government has more money than it knows how to spend, that it actually has more fiscal capacity than responsibility. During this period of time, the federal government has been able to pay down the national debt while we are running deficits, and we're the people who have the cost drivers. The feds downloaded their responsibility in regard to escalating health care to us and, in turn, the previous government downloaded responsibilities to municipalities.

You're right: The new fiscal balance that has to be achieved has to be at all three levels of government. AMO has its position about what has been downloaded to them. We've heard about it. I think you've hit the nail right on the head about how there has to be a new deal in Canada that makes sure that Ontario does remain strong so we can provide the funding to make sure that there's equity across this great country of ours, that it isn't just a “me first, my province first” attitude. There has to be a new rationalization. People are paying enough taxes; it's that the taxes aren't going to where the demand is, and that's where the problem is.

I think we do have a great deal of political agreement in this province. I appreciate the fact that you've come here in your capacity at the municipal level. I'm sure Mr. Flaherty and Mr. Baird, and perhaps even Mr. Clement if he makes his recount, are all going to be looking at Ontario's situation. I know Prime Minister-elect Harper has been on the record about dealing with the fiscal imbalance.

The Chair: We'll let you have a chance for a response.

Mr. MacDonald: Two things: One is that I want to correct—I was reading from the dissent. I didn't know whether he dissented or not, but I was reading from the dissent.

The second thing is, it was interesting to watch Stephen Harper's first news conference. He has priorities he wants to talk about. He wants to talk about the fiscal imbalance. My point, in summary, is this: I think it's an issue that as Ontarians we can all agree on; it doesn't matter what political stripe you are. And the timing might be right for us, especially with Jim Flaherty sitting on this committee last year as a participating member. We would have some leverage there to use, is my point.

The Chair: Thank you for your presentation.

ONTARIO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

The Chair: I call on the Ontario Society for the Prevention of Cruelty to Animals to please come forward. Good afternoon.

Ms. Judy Marshall: Good afternoon.

The Chair: I believe you know the ground rules here. You have 10 minutes for your presentation, and there could be up to 10 minutes of questioning. Please identify yourself for Hansard.

Ms. Marshall: Thank you very much for allowing us to present to you this afternoon. My name is Judy Marshall. I'm the chief executive officer for the Ontario SPCA. Mike Draper is with me. Mike is the chief inspector for the province of Ontario.

Just a little background on who we are: The Ontario SPCA is a non-profit charitable organization dedicated to the protection and welfare of all animals. Some people don't realize that we're involved with more than dogs and cats; it's birds, bats, rats and raccoons, dogs, deer—the whole gamut of animals in Ontario.

The Ontario SPCA has 27 branches across the province, one of which is in the community here in Cornwall. We also have 31 affiliated humane organizations. Those organizations also call themselves SPCAs. Our branches as well as our affiliates provide care and shelter to tens of thousands of animals every year.

The Ontario SPCA is mandated under the Ontario Society for the Prevention of Cruelty to Animals Act to enforce animal cruelty laws. Under the act, society investigators have police powers to enforce the act. We are also a named agency in the new Dog Owners' Liability Act, the pit bull legislation. We are called in by government ministries on a regular basis to perform services for the province, and these are unfunded services related to OMAFRA and the MNR.

The Ontario SPCA does not receive any government funding to operate our day-to-day programs or operations or our investigation mandate. We rely on charitable donations and fundraising to fulfill these mandates. One of the issues is that this funding is not consistent. We'll have a good year, we'll have a bad year, and it makes it very difficult to do any long-term planning or to make any plans to do capital upgrades across our shelters in Ontario. We're constantly in a financial crisis, always attempting to make plans for the future but never able to fulfill those.

In the past five years, the number of animals rescued by the Ontario SPCA has more than doubled. The number of animal cruelty charges laid by the society and its affiliated humane societies under the Criminal Code of Canada and provincial legislation has increased seven-fold. That means that 3,095 animals were rescued in 2000, compared to 7,267 animals in 2004. Ninety-seven charges were laid in 2000, compared to 695 charges in 2004. The number of search warrants executed has more than quadrupled, and the number of orders issued has almost tripled.

Pit bull legislation has caused an increase in our workload. Animal care and protection costs have increased as a result of increasing activity in the investigations department. In 2001, animal care and protection expenditures were \$6.4 million and \$8.1 million in 2004, which is a 26.4% increase in costs, again funded mainly by fundraising. We've had to actually compete with, as you know, some of the international crises that have occurred.

The control of this expenditure is restricted by the Ontario SPCA act, in that it is the position of the Ontario SPCA that all legitimate situations involving animal welfare must be investigated, and if removal and care of animals is warranted, the Ontario SPCA must provide that service.

The Ontario SPCA services rural Ontario, which does not have the population base to support the full cost of animal care and protection in these areas. The Ontario SPCA facilities located across the province have massive capital demands. We have no capital reserves. The service demands in rural Ontario are becoming more demanding. There are economic farm factors, including BSE and a regional shortage of hay, that have led to a marked increase in farm and equine neglect.

The Ontario SPCA is not in a position to financially support the operations of each branch and affiliate. We have a plan in place, and currently that plan includes to shut down and sell some shelters in northern and eastern Ontario. We will devolve many functions to the OPP. The OPP does not have the resources, the capacity or the training to provide these services currently. We will devolve shelter services to relevant municipalities.

Following the provision of one-time emergency funding to the society, the McGuinty government commissioned an independent review of the agency and its business. That report was called the Grant Thornton report. The recommendations that came from this report were quite clear:

—The government must provide interim funding to facilitate the stable operations of the Ontario SPCA and its branches until a long-term strategy for animal welfare could be developed.

—The government must lead the development of this long-term strategy for the provision of animal welfare services.

—It recommended that this strategy should consider a review of the legislative and governance structure.

—It recommended the development and consideration of a capital funding plan by government, including building renewal and new technology.

The government received this report in February 2005, but the Ontario SPCA did not see a copy of this report until late July 2005.

1520

Since the release of the Grant Thornton report, the society has moved very quickly to adopt any of the recommendations that were in its control, which include accounting systems updates, review of legacy donations and improved internal controls. We've implemented those across the province.

What is really disappointing is that the government has not moved, on its part, to advance the work of this report. Despite being told for months that a strategy was being developed by the Ministry of Community Safety and Correctional Services, it has finally been confirmed that no strategy exists. The Ontario SPCA was invited to propose ideas to find new financial stability, and at Minister Kwinter's direction, the ministry was to take that lead. After several months, there was no progress, and it has been confirmed that the ideas will not be advanced.

The Ontario SPCA has been clear that it is critical to the current organization and to the future of the organization that both legislative and governance review is needed to proceed, as is the requested modest financial help for facilitation. MCSCS has indicated that there is no money available to assist and has been a roadblock to progress in this respect. Their indication of interest is critical to making this process, to move it forward and make it considered by this review. The government has never responded formally to the recommendations in the Grant Thornton report and its very clear suggestions as to how the government ought to be supporting animal welfare in the province.

Our concern is that the cuts and closures to Ontario SPCA services and facilities have a very short-term impact on cash flow but they have a very long-term negative impact on the ability to fundraise in the affected communities. We've definitely seen that when there is a closure, the ability to fundraise does go down.

Withdrawal of Ontario SPCA services means that police services and local municipalities have to provide the necessary services. This is not cost-effective. It is estimated that the cost to police would be approximately \$30 million annually, with additional start-up costs of approximately \$10 million to \$20 million. These projections are based on public information about police costs and on our actual animal welfare-related statistics. Municipalities are unwilling to take on the burden of other unwanted animals such as cats, rodents etc.

All of the cuts and closures would be made without the benefit of a provincial long-term strategy for animal welfare. What we're thinking is that we're closing something but how is that going to impact the rest of the province? How is that going to impact the animals in the province? The Grant Thornton report really did say, "Let's look at animal welfare from a provincial perspective." We've really endorsed that step and have acknowledged it as a necessary step by the government. We also see it as being very practical to establish some interim funding to allow the organization to do additional internal reviews and allow the government to consider a more relevant legislative framework and ensure that services are maintained by an animal welfare agency instead of police services.

Our hope is really a partnership with the Ontario government. We're hopeful that the government of Ontario will act on the recommendations of the Grant Thornton report as soon as it is practical. Interim funding

can assist with keeping the facilities open and operating in local communities and will allow the Ontario SPCA the breathing room it needs to reinvent and rejuvenate itself.

We urge the government to provide interim financial funding for the Ontario SPCA and its affiliated organizations, conduct a legislative and governance review of the Ontario SPCA, and support a legislative package that was presented by Mike Colle, actually—I believe it was in 2002—that would be an interim step in giving the Ontario SPCA the legal and financial tools that it needs to advance animal welfare. Thank you very much.

The Chair: Thank you for the presentation. We'll begin the questioning with the NDP.

Mr. Prue: Thank you very much for the presentation. We had a similar presentation yesterday.

Ms. Marshall: Yes, by one of our affiliated organizations.

Mr. Prue: The question I'd like to ask today is about turning over animal welfare to municipalities. Most of the municipalities are in pretty bad financial condition. Have they indicated to you whether they're willing, or do they have any choice?

Ms. Marshall: They won't have a lot of choice, but maybe Mike can help with that a little bit.

Mr. Michael Draper: Certainly the municipalities we approached are not interested in taking over animal welfare. They've seen additional costs related to their enforcement of the Dog Owners' Liability Act recently, and they're not interested in taking over this enormous task of animal welfare.

Many smaller municipalities only run dog-control services, essentially, so they provide shelter for stray dogs. We, of course, provide sheltering and cruelty investigations for a range of animals. I couldn't see a small municipality in the north, where we had an abandoned zoo, for example, want to take over the responsibility of caring for those 65 zoo animals. So no, most municipalities do not want to get into the animal welfare business.

Ms. Marshall: Nor do they want to get into the cost effected by looking after those 65 zoo animals.

Mr. Prue: But if you walk away, do they have an obligation to do it or not, or would there just be none?

Mr. Draper: They don't have an obligation. It would simply be if they passed new municipal bylaws to try to address certain issues. Many areas could be left without any service whatsoever, shelter-wise.

Mr. Prue: In terms of the police, is that pretty much the same? I don't know whether police do any kind of animal control anywhere in the province, and I don't know that they're equipped to do it.

Mr. Draper: Our concern is the police—we can enforce the criminal law related to cruelty to animals and so can the police. Our statistics are that the OPP currently do about 800 cases in the province, where we do 16,000. There certainly would be a significant increase in the police investigating cruelty, although their officers aren't trained to investigate cruelty and neglect, they don't have

the adequate equipment and the question remains of where they would put the animals, as well. They have other policing needs and roles, and we want them to catch burglars and pedophiles and everybody else. They don't see their role as investigating cruelty or neglect, really.

Mr. Prue: In terms of the pit bull legislation, because I'm sure you're going to get asked this question a lot, how many times have you been called to enforce the pit bull legislation since it became law? It was only a month or two ago.

Mr. Draper: I can't give you numbers, but we see a lot of pit bulls in our shelters, so in one way, we're dealing with the pit bull legislation daily. One example of when we were called by the police to enforce the pit bull legislation recently was when we were called to a drug operation that turned out to also be an organized dog-fighting operation. We had to seize 42 pit bulls from the scene. They were being trained to fight, which is an offence now under the Dog Owners' Liability Act, so we had to take 42 pit bulls into custody and hold them for a period of time. It was quite a complex operation and very costly to the society.

The Chair: Thank you. We'll move to the government.

Mr. Wilkinson: Mr. Prue was right: We did have your affiliate in Timmins talk to us yesterday. To help me on this file, you're providing coverage right across the province? You just have the 31 branches, I was seeing.

Ms. Marshall: There are 27 branches and 31 affiliated organizations.

Mr. Wilkinson: That's right. Does that cover the whole province?

Ms. Marshall: No.

Mr. Wilkinson: In those places where there are gaps, where does that fall? Does it kind of devolve to the municipality and the local police?

Mr. Draper: Yes. The areas we don't service are the far north, quite honestly. Those areas go uncovered, absolutely. Sometimes we do respond, upon police request, to those northern areas. For example, on the request of government, we stepped in to Kashechewan and provided emergency feeding for dogs. There were 100 dogs left behind when the people evacuated. We are called into those northern areas on a regular basis by the police, but we can't, simply because we don't have the dollars, service those on a day-to-day basis.

1530

Mr. Wilkinson: I can tell you that when this came to a head—financially you had that crisis just over a year ago—Minister Kwinter was as solid as I've ever seen him in regard—

Ms. Marshall: He's phenomenal.

Mr. Wilkinson: —to making sure that you had that funding and to try to get to something more sustainable. I under your frustration because the cogs of government can move pretty slowly sometimes. On the other hand, you have to try to get it right. So you're in a position where some of the \$1.8 million has flowed to you already

and there is still some holdback on that. You had a meeting with the minister, I think, in September, in the fall.

Mr. Draper: We've actually received the full \$1.8 million. Part of it was to fund our 2004 operations, and part of it was to fund our January to March 2005 operations.

Mr. Wilkinson: One of those issues is the legacy and the accounting of that and making sure that you stay viable so that continues. You don't want to have a negative story, because then that fundraising would dry up.

Mr. Draper: The audit report did talk about why we can't spend some of our legacy revenue. That's because it's donated directly to a specific cause, for example, building an animal shelter in Brantford. We can't then go and spend that money in Kenora.

Mr. Wilkinson: Even if you have one.

Mr. Draper: That's right. I don't think the auditors recognized that, and you'll see that in the report. But we then provided the government with a legal opinion and explanation for that.

Mr. Wilkinson: Could we actually change that legislation?

Ms. Marshall: No, I don't think you can.

Mr. Draper: That would be the Charities Accounting Act and some other things that you would have to modify. That would affect a number of charities.

Mr. Wilkinson: Thanks for the work you're doing.

The Chair: We'll move to the official opposition.

Mr. Runciman: I'll just quickly cite a few questions since we don't have a lot of time here. I saw a government document several months ago that indicated there is consideration—I'm not sure if this is part of the Thornton report or not—to transfer responsibility for your legislation to the Ministry of Agriculture. I'd like to hear your response to that.

One of your suggestions indicates that you were deliberately misled by someone within the ministry with respect to the development of a strategy. I'm curious, and I think the committee should want to know, who did that and what you believe is the reason behind it.

Also, you mention in here—and this is a specific concern of mine—the eastern Ontario closures. Where do you see those closures occurring, and what kind of timeline are you talking about?

Mr. Draper: To answer your first question, being transferred to OMAF, we felt it was better to remain within the Ministry of Community Safety and Correctional Services because of our policing role and our close relationship with the OPP. As well, it would maintain our independence and objectivity.

Mr. Runciman: So that's not under any consideration?

Mr. Draper: My understanding after meeting with the government is that it's not; that it wasn't under any further consideration to be transferred to OMAF.

I'll answer your question about closures, and then I'll pass it to Judy to answer your other question. We are closing our Napanee facility on March 31. That's the closure in eastern Ontario. We're quite concerned with

that. It will affect not only Napanee but the surrounding counties: Northumberland and Quinte. It's very concerning. We'll be devolving the entire operation to the police and the municipality to take over if they may. It will certainly put a strain on resources for the municipality as well as the police services.

Ms. Marshall: We've announced that that closure is effective on March 31.

Mr. Runciman: The question about being misled by ministry officials?

Ms. Marshall: To answer that politically correctly, I guess, they haven't fulfilled their promises to us. We have it in writing that we were going to be involved in a long-term strategy. That hasn't happened. In the initial meeting that we had with the government, it was, "This is the start of a long-term strategy," and that was getting towards the end of July. We have not been involved in that strategy, and any ideas that we've presented are not going to result in any income that can really carry us forward.

The Chair: Thank you for your presentation.

BARRY MILLETT

JOHN POLAK

The Chair: I call on Barry Millett and John Polak to come forward, please. Good afternoon, gentlemen. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Barry Millett: Thank you very much. My name is Barry Millett. I'm a resident of Summerstown. My colleague and friend is John Polak, a resident of Morrisburg. We're not affiliated with any group; we're here not only to say we're not asking for money but actually to give you an opportunity to make some money as well as accomplish some other worthwhile things.

A statement of some facts: Ontario is in need of more electricity. This area and others have lost jobs and, you've heard many times today, in SD&G some 2,500 jobs in the last year. Municipalities are cash-strapped, and you've heard that from a number of proposals today. Provincial funds are limited, we understand that, and we all produce garbage, which is a cost to both municipalities and the province. The environment is all of our responsibility, and we believe Ontario can extract some value from this waste. We've all been trained in the three Rs: reduce, reuse and recycle. We think that there should be two more Rs added to these: One is "rethink," and the last one would be "recover."

Gasification facilities can generate jobs, and they can generate these jobs immediately. Gasification facilities can be built in large or small communities. Gasification is not new. Some facilities were built as long as 75 years ago, and they're still operating. This technology is improving every year. Some emissions are now equal to those of natural gas. Ontario universities and colleges

could perform research to improve this technology. Operating units, once paid for, are returning 23% yearly. Revenue comes from selling the electricity into the grid, selling gypsum for wallboard, selling the captured gases, selling nitrogen for fertilizer, selling heat for buildings, hospitals or even greenhouses. The reduced costs of managing landfill sites is also a revenue. This revenue could be directed to municipalities or shared with the province, or handed to private enterprise, if that was applicable.

The benefits of gasification: reduced garbage disposal issues—NIMBY. I believe we have some politicians in the room, and I would suggest to all of you that new landfill sites are political landmines for each and every one of you.

Minimal landfill use: We've been doing landfill since the first time there were six people living together in a cave. We've got to find a better way.

Recycling is part of this plan; a cleaner environment is much better than landfill. Electrical generation comes on stream very quickly. Opportunity to take the lead in the technology exists for the province of Ontario. Some of the benefits from small facilities—I think many times today you've all heard how people would like to see services delivered closer to the user. There are a number of benefits that come from facilities like this. The economic benefit is spread throughout the province, so these facilities can be located where they would do the most good and be most beneficial. A number of small facilities can provide better access for research. If one is shut down while something is being tested or corrected, you're not turning down 10% or 20% of the province's generation capacity.

Pelletizing or complete processing technology versions are possible. Improvements can be perfected in one facility before being adopted as the best method. Ontario would have control of our own waste problem.

Benefits from small facilities, continued: We'd create jobs throughout the province. It could be financed by local municipalities or private enterprise, with incentives from the province and the federal government, so we could have P3 versions of that, if that makes the greatest sense. Create permanent jobs, many of them technical jobs; local community colleges could have access for training; ancillary economic benefits developed from the by-products. This will reduce trucking of garbage, which is an additional environmental benefit, and provide an element of competition to ensure efficiency.

1540

The financial outline is fairly simple. You can build a unit or facility that would handle fewer people. By going to the number of 400,000 to 500,000, that's where you reach a good level of efficiency; 80 to 90 trucks a day, five days a week. The time to build this facility and have it running would be 12 to 18 months after all approvals have been received.

The capital cost of a pelletization plant is \$50 million; a gasification plant, \$130 million; total capital cost, \$180

million. The annual municipal solid waste processed would be 200,000 tonnes.

The revenue streams would be as follows: from electricity, \$31 million; steam, \$3 million; tipping fees, \$14 million; CO₂ offsets, \$5 million; total annual revenue, \$53 million. I told you we were going to get you some money, right?

Costs: labour and operating, \$20 million; fees, royalties etc., \$8 million. Total annual costs: \$28 million. Profit: \$25 million.

Financing: If we assume a 70-30 debt-to-equity ratio, the debt would equal \$126 million; equity, \$54 million. Debt repayment per year at 8% would be \$12 million over 15 years. Return on equity investment would be \$13 million.

Conclusions:

—Municipal solid waste is a resource.

—Municipal solid waste is an immediate source of energy.

—Energy from waste plants creates jobs.

—Energy from waste plants can create tax revenues for municipalities and the province.

—Financing can be through debt and equity, not necessarily through public grants.

—Environmental benefits are significant.

Thank you very much for your time and attention.

Questions?

The Chair: Thank you for the presentation. We'll begin the questioning with the government. Mr. Wilkinson.

Mr. Wilkinson: Thanks for coming in. One of the hats I wear is parliamentary assistant to the Minister of the Environment, so I just want to ask you a couple of questions on this, about the environmental benefits.

First of all, I know you have the NIMBY about people in the backyard of the landfill, but you would also have a similar effect with people who felt that they were downwind of this. Initially at least, I think there would be people concerned about that. There are many people who are concerned that what you're putting back up in the air is more CO₂, and as well that you're not able to capture some of the chemicals and minerals that would be put up into the air. I've seen the proposals on pelletization to increase the combustion temperature, and gasification. Are you confident that you'd be able to get the required certificates of approval from the Ministry of the Environment and go through the environmental assessment process that will allow you to be permitted to do this?

Mr. Millett: I'm going to let Mr. Polak answer it.

Mr. Wilkinson: It's a technical question.

Mr. Millett: Yes. He has many years' experience in the environmental industry around the world and I think can answer it far more accurately than I can.

Mr. John Polak: It's a complex issue, as you correctly point out, but gasification allows you to do an awful lot of scrubbing and cleaning before you ever get to the stage of combustion and release.

In terms of the issue of CO₂, a global warming gas, you really need to look at what this is replacing. What

you're replacing if you're burning coal is things like mercury and benzenes and sulphur going into the air. That won't happen with this gas. It's virtually pure methane by the time you're done—natural gas.

The second thing is, if you put it in landfill sites, as we have been doing for a century or so, you're going to produce methane, and that has a 21-times multiplier effect, from a greenhouse gas potential.

So on balance, I think it's a good solution. It's not a new solution. You can go to many cities in Europe and you'll see these places operating downtown, and some of them even without gasification—mind you, a very different population density.

Mr. Wilkinson: And you need to source-separate your feedstock going into this before you pelletize it. That's part of what you have to do, I think.

Mr. Polak: Clearly, you want to recycle as much as you can before you get to that stage.

Mr. Wilkinson: Yes, you get batteries and all these things. You don't want any of that.

Mr. Polak: Absolutely. Keep in mind we're not affiliated with a company that's proposing to do this. We're proposing a concept.

Mr. Wilkinson: But they would have to go through the whole environmental assessment process.

Mr. Polak: Absolutely.

Mr. Millett: Just to complete: You would need to go through an environmental process. But if you were looking at building three, four or five smaller plants throughout the province when you went through the investigation for one such plant, that same day it would be available and accurate at all of the others as well.

Mr. Wilkinson: I know the ministry is developing guidelines or rules in that regard. In regard to gasification, there is a regulatory area where there isn't really any clear direction from the ministry, and they're engaged in that. Our minister has asked our people to do that. So that work is being done as we speak.

The Chair: We'll move to the official opposition.

Mr. Hudak: Thank you very much, Barry and John, for the very interesting presentation. I know our leader, John Tory, has spoken quite a bit about this topic of trying to turn waste into electricity, which helps on the environmental side and helps on the electricity side, as you've both said.

Just a quick question—you know more about this, obviously, that I would. This is common in Europe, but it's actually quite rare here in Ontario. Do we have approval problems? Do we have a prejudice in government against these projects? How come some countries are so far ahead of Ontario?

Mr. Millett: I think the difficulty is that we haven't learned to rethink the fourth R that I suggested. It's not only common in Europe; it's very common in the United States, or becoming more common. There is a plant, I believe, going in in Red Deer. So my thought is that it may have gotten labelled with incineration at some time in the past, and incineration is a four-letter word. That's the reason I was very careful to use the word

"gasification," because that is a totally different kind of process.

Mr. Polak: If I can just add on to that: Population densities in Europe are very different from what they are here in Canada. Landfill has been a very cheap, easy solution, and I think it's only recently, in the last 20 years, that we've begun to realize the longer-term problems with landfill sites. We may in fact want to go back and remine them at some point and do something more useful with them than just letting them biodegrade. There's also the NIMBY syndrome. It's a technology that has become more common in Europe because of infrastructure issues and public reaction issues.

Mr. Hudak: What I'm just trying to understand is—because landfill has been a cheaper option, historically—is this a price issue or an environmental issue, or is it both?

Mr. Polak: Landfills tend not to affect the individual very much in the pocketbook. Also, electricity has been largely owned by public utilities in Canada. It has not been a private sector enterprise; in fact, it's only recently that—I can't call it deregulation of the markets, because the markets are still highly regulated, but there's a demonopolization of the marketplace taking place all across North America and the price of electricity is going up.

What I find curious is that people are very happy to cap a landfill site and tap off the methane and sell that as green power, but they're still uncomfortable with allowing a technical process to process the garbage more quickly, capturing 98% of it instead of only 30%.

The Chair: We'll move to Mr. Prue of the NDP.

Mr. Prue: The city of Ottawa is coming pretty close to doing a variation on this but they're using plasma technology. My discussions with the mayor and a few people in Ottawa is that this is an even better variation on ordinary gasification. Any comment?

Mr. Polak: It's still gasification. The only distinction is the method with which you generate the gasification process. It's a plasma arc as opposed to simply heating. We didn't distinguish in our conversation about whether we promote one or the other; we just think the concept of gasification is a good one.

Mr. Prue: So you would think that that's an equally good concept, because it's a heated—

Mr. Polak: It works.

Mr. Prue: It's heated probably hotter than the surface of the sun—a plasma arc.

Mr. Polak: Yes. Mind you, it's a high energy user as well. I haven't looked at the economics of both, to be honest.

Mr. Prue: The city Ottawa is also building this gasification plasma arc on a landfill site. Their plan is, if

there isn't enough garbage, to mine it. Is this also an option for any old waste site?

Mr. Millett: Yes. In fact, John said that. We understand that there are places in Europe that actually buy garbage to keep their facility running.

Mr. Prue: That's another problem: A lot of environmentalists have said we shouldn't gasify, burn or put the garbage like this because it will only cause us to produce more waste—there are many, many people, and they're right. When you look at overpackaging and all the other things that go on in North America, you don't need it, and it only ends up in the landfill. Are they correct when they say that to build gasification or plasma arc or any other technology only encourages people to produce more waste?

Mr. Millett: I think that that can be contended with in a variety of ways. Right now we've got such a waste problem that we have a long, long way to go before we'd be anywhere close to that. One of the comments I've heard as well is that it doesn't encourage recycling, which is not correct. So at some point you might say, "We'll stop building these plants." I didn't suggest that you build one on every street corner; I said you build a few around the province and really understand the technology. Then, at some point you would stop building them. If you didn't need any more, you could mine old landfill sites.

Mr. Polak: Also, keep in mind that this is not a panacea; this is not going to solve all the problems. Barry talked about the three R's: reduce, reuse, recycle. That's in fact a hierarchy: You should begin with reducing if you're going to do anything at all. Then, as you move down the hierarchy, recovery is probably the bottom of it. If you can't do anything else useful with the resource, then recover it and use it for some other energy purpose.

I take your point but I think that's a—

Mr. Prue: I'm not trying to make the point. I'm just playing devil's advocate because this is the kind of argument I'm going to get.

Mr. Polak: But the argument is a bit of a mug's game. That's the problem. Should it stop you from doing something good is the real, fundamental question. I think the answer is no, but it's a question of priority.

The Chair: Thank you for your presentation before the committee.

Mr. Millett: I'd like to thank the committee for coming and for their attention. It's concerning when you're the last presenter in the day.

The Chair: You're quite right. That concludes our hearings in Cornwall. We are adjourned.

The committee adjourned at 1552.

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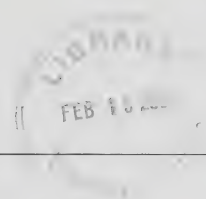
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CONTENTS

Friday 27 January 2006

Pre-budget consultations	F-155
City of Cornwall.....	F-155
Mr. Phil Poirier	
Mr. David Dick	
Mr. Paul Fitzpatrick	
Mr. Paul Connolly	F-158
Ontario Secondary School Teachers' Federation, district 26	F-160
Ms. Dina van den Hanenberg	
Queen's University	F-163
Ms. Karen Hitchcock	
Ontario Federation of Anglers and Hunters	F-166
Mr. Greg Farrant	
Mr. Andy Houser	
Stormont, Dundas and Glengarry Legal Clinic	F-170
Mr. Etienne Saint-Aubin	
Ms. Bernadette Clement	
Mr. Arden Schneckenburger.....	F-172
Mr. Chris Savard	F-175
Ms. Diane Thompson.....	F-178
Catholic District School Board of Eastern Ontario	F-180
Mr. Ron Eamer	
Ms. Bonnie Norton	
Cornwall Community Hospital.....	F-183
Ms. Jeanette Despatie	
Mr. Nick Vlacholias	
Passive Hydroelectric Generation	F-186
Mr. Michael Johnson	
Colorectal Cancer Association of Canada.....	F-188
Mr. Barry Stein	
Mr. Jack Butt	
Education Equality in Ontario.....	F-192
Mr. Leonard Baak	
St. Joseph's Continuing Care Centre	F-195
Ms. Bonnie Ruest	
Mr. Mark MacDonald	F-197
Ontario Society for the Prevention of Cruelty to Animals	F-200
Ms. Judy Marshall	
Mr. Michael Draper	
Mr. Barry Millett, Mr. John Polak	F-203



F-6

F-6

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Official Report of Debates (Hansard)

Monday 30 January 2006

Journal des débats (Hansard)

Lundi 30 janvier 2006

**Standing committee on
finance and economic affairs**

Pre-budget consultations

**Comité permanent des finances
et des affaires économiques**

Consultations prébudgétaires

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Monday 30 January 2006

Lundi 30 janvier 2006

The committee met at 0908 at the Hilton Fallsview, Niagara Falls.

PRE-BUDGET CONSULTATIONS

The Chair (Mr. Pat Hoy): The standing committee on finance and economic affairs will please come to order. The committee is pleased to be in Niagara Falls this morning.

For the committee, a bit of housekeeping: We've had a request by the Canadian Hearing Society to appear in Toronto on Thursday of this week. I believe we have agreement to that. Could I have a motion to that effect, that they appear sometime during the day on Thursday of this week? Mr. Hudak.

All in favour? Carried. Very good.

GRAPE GROWERS OF ONTARIO

The Chair: Now I'll call on our first presenter of the morning. Would the Grape Growers of Ontario please come forward? Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Ms Debbie Zimmerman: Thank you very much. My name is Debbie Zimmerman. I'm the CEO of the Grape Growers of Ontario. With me is the board chair, Ray Duc. You do have a presentation in front of you. I hate to read it, but I guess I'll have to.

Who we are: Since 1947, the Grape Growers of Ontario have been the voice for the growers throughout the province and have worked on their behalf, and continue to do so with pride. We direct our efforts towards our mission, which is to have Ontario-grown grape products demanded worldwide, and to achieve sustainable growth and profitability by creating an improved environment for Ontario-grown grape products. We are the official lobby organization for over 530 growers and processors in the province of Ontario. We represent 15.3 million vines on 17,800 acres in four growing districts: Niagara, Pelee Island, Lake Erie North Shore and Prince Edward county. We serve as a liaison between grower members, industry stakeholders and, of course, the government.

One of the largest segments of Canadian agriculture today is the grape and tree fruit industry. In 2004, this industry accounted for over \$300 million of farm gate value. In Ontario alone, this translates into \$1.8 billion of

economic value in Niagara and a total of \$1 billion additional value in Ontario. But today I am here to speak with you about another program, called the national replant program. I hope you are familiar with it to date. We have been before the government before on this issue, and we're going to continue to press till we see some support from the government of Ontario.

This is a program which sets out a national competitiveness strategy to lead our grape and tree fruit producers towards increasing their farm gate value by over 50% over the next 15 years. Increases in farm gate can be achieved by increasing the value per unit and by increasing the volume of units on the same land base. We have joined forces, as the Grape Growers of Ontario, with the Canadian Horticultural Council and representatives from the grape and tree fruit industry from across Canada to pursue this national replant program. You can see the provinces there: Prince Edward Island, Nova Scotia, New Brunswick, Quebec, British Columbia and Ontario are partners in this program.

The replant program will support the revitalization of the grape and tree fruit industry. A national program would assist our growers who find themselves producing products for a market whose industry is in decline. We are looking at a market-driven strategy.

I want to pause here for a moment to remind everyone that in particular in Niagara we are in a greenbelt. We need tools to be successful. We need tools for our future and we need tools that will get us to the next level. In our industry alone, in 2003 and 2005 we lost over 50% of our crop due to weather. We need to replant into varieties that are going to make us successful not only in Ontario but in a greenbelt that we want to see successful as well. We do appreciate the fact that the government of Ontario sees value in protecting our agricultural lands for the future, but we also see the fact that we need support. What we're saying is that we want a hand up, not a handout.

This program will grow the industry's domestic market share and expand the industry into international markets. We need to compete internationally. Some of the varieties we grow in Niagara are very successful, others are not. We need to capture more of the domestic growth market. What we're finding a challenge is imports into the province of Ontario, particularly in imported wine.

Economists often measure competitiveness by reference to sustained market share. Canadian producers of

grapes and tree fruits have gradually lost market share over time. Canadians are consuming more tree fruit, but I think what has happened is, because of the import in terms of Washington for our tree fruit area—but in particular we're finding in imports in grapes, and I will quote a statistic from Vincor's website, that they source 86% of their product offshore. In fact, more and more clinical studies document the value of the phytochemicals, which really is to say, drink more red wine. Some of the statistics are there. I don't want to take up all my time in talking about statistical facts, but we know that we can compete as an industry around the world, but we need support to compete. The program we are talking about simply puts our producers ahead of where we are today, with a national replant program. Without it, we're losing our competitive share.

The Greenbelt Protection Act sets out to protect environmentally sensitive lands and farmlands and to contain urban growth. We agree with this strategy. Growers in these areas need support from government to ensure the long-term viability of agriculture. The creation of a national replant program is one such initiative. The national replant program will allow grape growers to continue to grow successful varieties, which are instrumental to the economic health of Ontario.

As I said earlier, we have suffered one of the worst harvests in our history. Winter damage has seen a normal grape crop drop from 50,000 tonnes of grapes to 26,000 tonnes. We know that harder varieties are needed to meet the demands of our climate. Our vineyards contribute \$1.2 billion in retail sales of wine in this country. In Ontario alone, it's an economic spinoff of \$100 million. What we're asking you to do is to take the tax that you get off wine and alcohol products and reinvest it in agriculture. It's a pretty simple solution, and we think it's necessary to sustain our future.

Our growth challenges have led us to come together as an industry. We're doing it nationally because we believe the federal government has a role to play as well. The following national replant program really creates a public-private infrastructure renewal program for agriculture in Ontario, and particularly for our horticultural crops, tree fruits and grapes.

The goal of the program is simple: It is to renew 25% of Canada's orchards and vineyards over the next seven years. The actual acres in production will not increase, but the infrastructure of orchards and vineyards will be renewed to increase productivity and market returns. The average cost to renew a vineyard is \$12,000 an acre. Nationally, British Columbia has contributed to a replant program for 15 years and Nova Scotia for five years. Our goal is to achieve the same commitment from the four remaining provinces. As such, today we are asking the province of Ontario to take the lead and become the next province, the most successful province in terms of its tree fruit and grapes, to push the federal government to commit to this program.

The total cost of the program is \$300 million over seven years nationally, on a one-third cost-shared basis with the federal government, the six participating prov-

inces and—here's the kicker—we are prepared, as growers, to commit one third, or \$100 million, of that cost. So we are prepared to be your partner. The six participating provinces will share the remaining \$100 million. Ontario's portion for grapes and tree fruit amounts to \$49 million over seven years, or roughly \$7 million a year.

We agree that if we want to be successful, we certainly have to take the initiative for new technology. I just want you to note that the Grape Growers of Ontario have just achieved that by being recognized as the company of the year for innovation, partnership and technology. We're prepared to move forward with this program as well by making the commitment of \$7 million a year for the next seven years. We know a replant program is successful; just ask BC and Nova Scotia. The uptake on these programs has been remarkable. Our growers are prepared to share in the risks to enable innovation in the vineyards and orchards.

With most programs, what the government is often faced with is that they're asked for more than just a subsidy. We are asking to be your partner, and we're hoping that you will take this time to review the program in its entirety and, we hope, kick-start the federal government to be the other partner. We need your leadership; we really do. We're in a greenbelt. We want to be successful. We don't want to become corporate farms. We know that Ontario and Canada can compete with the rest of the world.

I do appreciate your time today.

The Chair: We'll begin this morning's round of questioning with the official opposition.

Mr. Tim Hudak (Erie-Lincoln): Ms. Zimmerman and chairman Duc, thank you very much for the presentation. We could hear you just fine. I wonder if Ray could. He was fixing his ear there once in a while.

I had a quick question from this region's perspective—and Toby, who is the agriculture critic, has some more detailed questions—in terms of who in the Niagara region would benefit from this program. So it's the grape producers, and which tree fruit, or would all the tree fruit benefit from the program?

Mr. Ray Duc: The program covers all tree fruit—peaches, pears, apples—and grapevines. It's all tree fruit and vine.

Mr. Hudak: So then a good proportion of the funding would actually come into this region.

Mr. Duc: That's correct.

Ms. Zimmerman: The majority.

Mr. Toby Barrett (Haldimand-Norfolk-Brant): I appreciate the presentation from the Grape Growers. I was aware of the replant program last year and I just wondered how it was going at the provincial level. As I understand, through a united effort, cash crop, beef, tobacco and horticultural crops were working with the Ontario government. Have you had meetings or has it progressed at all either in the new year, or what happened last year?

0920

Ms. Zimmerman: Yes, very much so. In fact, we not only had an opportunity to present this project and program to the Honourable Leona Dombrowsky, but we have had an opportunity to present it as well to David Caplan and Dwight Duncan in meetings. We've been able to afford ourselves opportunities, whether they're through these kinds of legislative hearings or at other events. It has been, I would say, received well. The challenge, obviously, is that we're in between budgets. We understand that this is for a legislative review for the budget, so that's why we're here today. We're hoping to get into this budget because it's also timely from the fact that the federal government will be putting forward a budget, we suspect, at some time in May or June, hopefully, and we want to also be part of that. We had presented in Ottawa as well. We were there for 46 meetings in two days. So you can imagine the kind of take-up we had in terms of surveying all parties. There was some good support for that.

The challenge for us, obviously, is that with BC and Nova Scotia as provincial governments already onside, to get the largest province in this country, Ontario, to also be onside. I can see from that point of view that the federal government will see it as a national program. The largest challenge we have right now is to get Ontario to commit to the program, and we think that the greenbelt is one of the tools. And with the amount of tax raised off alcohol in this province, it seems pretty simple to take some of that and reinvest it in our agricultural community.

The Chair: Now we'll move to the NDP.

Mr. Michael Prue (Beaches—East York): You're right: Last year the LCBO made more than \$1 billion profit, so I don't see that \$7 million should be all that much of a problem.

I'm curious, not so much about the money you want, because I'm sure you'll spend it wisely, but about replanting the vines. In Prince Edward county, I asked if they had winterkill, and they didn't because they bury the vines. Are the farmers in Niagara taking that risk?

Mr. Duc: We also bury our vines. That protects the vines; it doesn't protect the crop. And it only protects them to a point. In the last three years, we've had major damage twice, and in 2004, there was some damage. What has happened is that we've planted varieties that seem to be in demand worldwide, but we're at the extreme northern limit of grape growing in the world. We're finding that some of the varieties we've planted will not produce a stable crop. What's happening is that our crop is doing this up and down, and it's hard to build and develop a market when you have a full crop one year and the next year you don't have a variety like Merlot—a full crop one year and nothing the next.

What we need to do is stabilize this crop. The growers have made a huge investment this year in wind-producing machines that will bring down warmer air from above and help to warm the vineyards. Because of this investment, we need what I'll call a hand up and not a handout, just to get our vineyards back in shape to be competitive

on a worldwide level and put varieties in the ground that will sustain the industry.

Mr. Prue: There was another problem that was kind of unique, I thought, at least to Ontario in 2003, when the ladybugs got into the wine and destroyed a good number of growers' wines that year. It tasted of peanuts; it was awful. They were Chinese ladybugs, were they not? They were brought in to kill the aphids or something and then ended up killing the wine.

Mr. Duc: They're Asian. They were brought into the citrus industry in the southern states but migrated north. They're cyclical; we're going to have a problem every few years. But there is a lot of research being done on this problem. I won't say it's under control, but it is being very closely looked at.

Mr. Prue: Is that what some of the \$7 million might go toward?

Ms. Zimmerman: No. Again, we're already underway with research, as the chairman has pointed out. Clearly that's where we, as an industry, have an obligation to invest. We're partnering right now with the wine industry to ensure that the research is proactive. The \$7 million is to assist us in renewing 25% of our vineyards each year into varieties that can be sustainable in a northern climate. We can compete with the best in the world. Our Riesling, if you have an opportunity while you're here, maybe over lunch—

Mr. Prue: I vote yes.

Ms. Zimmerman: There you go. Our Riesling has a taste profile that you cannot reproduce anywhere else in the world. Allowing us to transition into these varieties will keep your greenbelt green and keep our growers in the greenbelt successful. It's no different with the apple industry; it's the same. They need to transition into different varieties that can compete. People today are expecting fruits to last a lot longer. We have to come up with varieties that are more sustainable, particularly in this climate.

The Chair: Now we'll move to the government.

Mrs. Carol Mitchell (Huron—Bruce): Thank you, Debbie, and Chair as well, for coming out today. I want to thank you, first of all, for all the work you have done. You've done a tremendous job of promoting the industry in the province, across Canada and throughout the world. You've done a remarkable job, and I want to congratulate you on that. I do want to say too that I am the parliamentary assistant to the Minister of Ag and Food, and I will report to Leona as well.

I'm looking for just a bit more detail, just to confirm what you have said: The Grape Growers are prepared to commit to approximately \$7 million per year based on—

Interruption.

Mrs. Mitchell: It must be a women thing.

Interjection.

Mrs. Mitchell: Yes. So they are prepared to commit. But one of the things you're looking for is renewing old Concord vineyards. I wonder if you could expand on that for me. I will read your additional report, but could you just give me the highlights so I can get a sense of what you're looking to do with your renewal?

Mr. Duc: The juice market—and this is Concord's and Niagara's—is steadily declining because of foreign competition. Consumers are switching to other products; water is big competition for grape juice. It's the health thing: Grape juice, in its pure form, is a very sweet product, and the market is moving away from it. The growers, for the last three, four or five years, have been taking prices that are below their cost of production. There's very little future for this segment. This program would allow growers who still have juice grapes to transition into wine or icewine or some market that is developing in a positive way.

Mrs. Mitchell: The replant program: Is there a sense of the markets you're looking to aggressively go after? I see icewine is listed, but I'm sure there are more programs. Just give me a sense of them.

Ms. Zimmerman: I think what Ray is pointing out is, particularly juice grapes—they can grow in a much cooler area. In Niagara, with the microclimate we have, you have variations in temperature because of the benchlands. The only juice grape industry in Canada is housed in Niagara. Our processing plant is Mott's in St. Catharines. It's on its last legs. In fact, most of our juice grapes were delivered directly to the US for Welch's products. That is declining. Our challenge would be to transition those growers from juice grapes into Vidal, which are icewine grapes and which would grow. We're looking at other opportunities for them as well. I pointed out that we also have Riesling, or those varieties which we know are successful here in Canada and have won us international awards around the world.

The Chair: Thank you for your presentation.

CITY OF WELLAND

The Chair: I call on the city of Welland to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Damian Goulbourne: My name is Mayor Damian Goulbourne, from the city of Welland. On Friday, I let my fellow mayors of Niagara know that I would be coming here. One of them, Mayor Salci from the city of Niagara Falls, contacted me and said he would lend some support. He'll be joining me during this presentation.

Good morning, ladies and gentlemen. As I stated, I'm the mayor of the city of Welland, but I'm also a councillor with the regional municipality of Niagara. My comments will be brief. I congratulate, first of all, the standing committee on finance and economic affairs for holding these pre-budget consultations. These sessions provide stakeholders and municipalities with the opportunity to share their perspective with the province of Ontario. With over 400 municipalities in Ontario, it's very difficult for a city with a population of 48,000 to get its message out. In addition, there are times when we in Welland feel so far away from the centre of power in

Ontario. It's extremely helpful that this committee has come to Niagara, and I thank you for your time and understanding.

I am before you today to lend my voice to AMO and support their request that Ontario's \$3-billion provincial-municipal fiscal gap needs a solution. I am aware that AMO has been before the government on several occasions with this message, but I'd like to provide you with a local and front-line perspective.

0930

Welland collects approximately \$24 million in tax revenue, plus an additional \$6 million in other revenue. Add to this total about \$17 million in water and sewer billings, and the budget for the city is approximately \$47 million.

Welland is no different than any other municipality. We construct, maintain and operate water and sewer services, parks and recreation complexes, a fire service, Handi-Trans and conventional transit, planning and development and roads, to name a few. Recently, the government has supported cities by providing several programs such as COMRIF, gas tax for transit and fire services grants. With regard to COMRIF, we are awaiting coming announcements. While we did not receive funding in the first round, we got some wonderful feedback, so we went back and retooled our presentation.

These programs have the ability to help cities with the gap in funding. However, as AMO has stated, Ontario is the only jurisdiction in Canada that funds provincial health and social service costs through municipal property taxes. In the regional municipality of Niagara, our social services spending is over \$700 million; I noticed Chair Partington coming in, and he'll have the correct numbers, but we are spending \$600 million-plus at the regional level of government—over \$200 million. But spending on roads, facilities, water and sewer and waste management is around half of this total. Faced with Ontario's social realities, municipalities' infrastructure spending has taken a back seat.

At this time, I'd like to provide you with an example that is occurring in Welland as well, I'm sure, as in other municipalities across Ontario. Welland's downtown has been experiencing difficulties for decades, but over the past few years we are beginning to see a rebirth. It's imperative that my council and staff take calculated steps to nurture these advancements and create a sustained rebirth. We have examined cities in Ontario that have turned things around, and the city of Collingwood stands out as the model we would like to follow. They have invested in traffic-calming techniques like bump-outs, constructed wider sidewalks, created themed lighting and rebuilt historical buildings. These capital improvements have worked but come with an economic and opportunity cost.

In Welland, the principal road in our downtown is East Main Street, which happens to be a regional road. My council is dedicated to seeing progress in our downtown, and we've asked the region to work with us. They've agreed, and gone as far as stating that Welland's urban

centre should be designated by the province as a Place to Grow.

Historically, Welland has spent, on average, \$1.5 million on public works—you will see that the last page outlines approximately the last 10 years of spending. This includes roadways, sidewalks, traffic control and capital equipment. This year we're proposing to spend \$3.5 million on our roadway budget alone to help my city advance its dreams. Of this amount, \$2 million is to fix Fitch Street, which has recently been rated as one of the worst roads in Ontario.

I should also let you know—I thought about this morning and apologize for not putting it in this speech—that according to my public works officials, we're supposed to be spending \$4 million per year on our roads alone.

This year we'll be completing waterworks projects in our downtown, which will enable us to implement Collingwood's best practices in 2007. According to AMO, almost one third of municipal operating expenditure is consumed by service delivery and income redistribution, leaving precious little for investment in Welland and Niagara's future. I believe it's easy to construe that if the region of Niagara did not have the burden of social programs, they could follow my city's lead and bring new dollars to their roadways budget. In a speech to this committee on November 4, 2005, AMO president Roger Anderson stated that addressing the provincial-municipal fiscal gap is their top priority for 2006.

I hope that my comments today provide you with a tangible sense of the difficulties front-line municipalities are facing. I believe that by working with AMO it is possible to find solutions to reduce the province's reliance on municipal property taxes. You have the chance to help municipalities and citizens across Ontario overcome their challenges but also seize their opportunities.

I appreciate the time you have taken to come to Niagara and listen to Welland's message. I don't know if the mayor of Niagara Falls would like to lend a comment or two to what I have just presented.

Mr. Ted Salci: You heard the mayor from Welland express his concerns about his municipality. Niagara Falls experiences the same issues. We have expressed those concerns prior, directly to the minister. Infrastructure funding is still one of our top priorities, as a municipality, and the challenge we have is attracting enough dollars to make it affordable to make our streets and services viable and to provide these services directly to the residents of our city.

The Chair: We'll move to the NDP.

Mr. Prue: I'm quite sympathetic to your message. I think that for too long the province has been raiding municipalities with the download. It's a \$3-billion exercise; it's well-documented. I think the problem for the government, though—I'm not on the government side—is where they find the \$3 billion. If they suddenly take this stuff off, it would free the municipalities and the tax base enormously. There's no question that it would

be a boon to every municipal government in Ontario. But where does the government find the \$3 billion? The trite answer is that they raise taxes, which they're not going to do. But where else do they find it?

Mr. Goulbourne: I assume you're looking for a response, so how about I tell you what I've done over the past two years as mayor of the city of Welland. When I took office, we were one of the last municipalities in Niagara that was keeping its water rates artificially low. We transferred that portion that was on the taxes to the water bill so it's full cost recovery as Watertight has alluded to. In that process we were able to find some efficiencies and make some difficult choices. We were able to actually have a net decrease on the tax rate of 16% when the transfer equalled 14%, so there was a net decrease of 2%. In last year's budget, we were able to bring in a budget of approximately 2%. This year—and tonight is my last budget meeting in the city of Welland, hopefully, if my council will co-operate, and we're looking at approximately 4% or 4.2%.

With those numbers, somehow we've been able—and if you take a look at my last sheet with infrastructure spending and look at 2004, with the first budget that we got hold of, and you look all the way down to 1992, we found a way to go from an average of 1.5% to 3.5%, and we made some choices along the way. There's been a lot of pressure in my municipality to put money into water and sewer projects, and we did our best and focused all of our dollars in 2004 on that to play catch-up to a degree. Now we're redistributing those dollars to road work. So if a municipality my size, with the talent we have, was able to find a way to re-juggle the priorities, re-juggle the spending and make some difficult choices—it has been difficult for my council over the past two years in Welland. We've had a lot of hurdles, even petitions to get us kicked out of office, which 1,500 people signed last February. We made some tough choices, and that's how we did it. I don't know what those choices are because I don't sit in your seats. I just have this local perspective that we did it, and I'm sure there's a way. It will not be easy, and I know the citizens will have some difficulty, as we did before, but those are the things that we did. I can guess that, as we move higher into other levels of government, those choices are there too.

The Chair: Thank you. Now we'll move to the government.

0940

Mr. John Wilkinson (Perth-Middlesex): Thank you, Your Worships, for coming in. We're very happy to be in Niagara again. I can assure you that all levels of government have tough choices to make, that's for sure. I think one of the comments that we've had coming out of these discussions, though, is the fact that the fiscal imbalance between our two levels of government are there. I think what you have now is a government that's willing to recognize the municipal level of government as a partner, as opposed to some creature of the province. I think the agreement that we reached with AMO to make sure that there would be consultations enshrined in law has helped.

But really, I think Mr. Prue asked the question: Where is the money going to come from? In this country, there is only one level of government that has more money than responsibility, and that's our federal cousins in their level of government. This goes to that whole fiscal imbalance: They downloaded to us, the province downloaded it to you and it has created that imbalance where we have hard property tax paying for soft services, which I think we all agree is something we have to address.

I want to say publicly how much we appreciate the fact that AMO has joined in our campaign to address the fiscal gap, and we're heartened that our new Prime Minister designate seems to think that that is quite important. It's not something that our Premier had to convince him on.

The questions that I had were on some of the other programs that we have. Are your municipalities able to afford themselves using the OSIFA loan program? I know it's your cost, but has that been helpful as a planning tool?

Mr. Goulbourne: We have invited the members of those organizations to the city of Welland, and our treasury has explored it. Based on our partnerships with the region—because we pool our lending with the region—it's more advantageous to work with the 12 municipalities in the regional level of government than it is to use that program. I think it's unique because of the co-operation here in Niagara, in that we pool our resources, and every June there's a debenture at the region available to us.

Mr. Salci: In Niagara Falls, we've had the advantage of taking out one COMRIF grant and we're fortunate that that construction will start soon. We've just made our first application through the region for OSIFA. I've met with OSIFA representatives on three or four occasions. I had them into my office and our treasurer now is taking advantage of that, so we appreciate that. We appreciate as well the expanded potential that OSIFA offers municipalities like our own, and we're taking advantage whenever we can of lower interest rates to make these types of improvements affordable.

The Chair: We'll now move to the official opposition.

Mr. Hudak: My colleague has a question, so I'll ask both quickly. But first, Mayor Goulbourne and Mayor Salci, thank you for being here. Congratulations on your success in leading the second- and third-largest municipalities in the region.

The OMERS bill is before another committee. Municipalities have expressed concern about that. In fact, Hazel McCallion called this the biggest download in the history of the province of Ontario, with the increased costs on the property tax base. So if you had an opinion on Bill 206.

Secondly, if one of the social services were brought to the provincial level, which would be the first, in your advice, to go? Which would be the most important?

Mr. Goulbourne: We have different thoughts; we're rambling through. I'm thinking public health. I'll let the mayor from Niagara Falls share his thoughts.

Mr. Salci: I actually really believe that social housing could be altered a bit to make that more of a provincial responsibility. As the mayor of Welland alluded to earlier, the cost that we experience at the region overall is substantial, and we could free up a lot of tax dollars if that wasn't a commitment that we had to provide for.

Mr. Hudak: And OMERS?

Mr. Goulbourne: If I may, we did invite Pat Vanni to Welland. We held a meeting, and several municipalities came. The Welland-Pelham Chamber of Commerce did bring it to their board of directors because we invited businesses to the table, and I think they have forwarded a letter to the government asking them to address it and to seriously take a look at AMO's position on that. So we do have the business community, and, from what I understand, all the chambers of commerce meet once a year—there are 10 of them in Niagara—and they plan on taking this forward to see if collectively they could also support AMO's position when it comes to OMERS.

Mr. Barrett: Thank you, gentlemen. Mayor Goulbourne, you made mention of Welland's downtown experiencing difficulties. I don't know Welland that well. I'm assuming that perhaps one of the problems or issues would be larger shopping centres. The question is not only how do you attract new stores downtown but, in a sense, why would you attract new stores? Is there any movement to attract apartment buildings or condominiums, and does the province have any role in trying to redirect your downtown or many downtowns to that kind of approach?

Mr. Goulbourne: I can make a couple of comments. Our downtown is not going in the direction of retail; it's going in the direction of services and entertainment. We did an analysis of our downtown. Professors Gayler from Brock University came in and did an assessment. We have a good base with lawyers, accountants and doctors, and we want to rebuild that. You're right about the retail sector moving to the strip malls, then moving to the malls, and now we're going to the big boxes. So we're going in the direction of services and entertainment.

If you could maybe repeat the second part of your question for me again.

Mr. Barrett: I just wondered, is the province in a position to provide direction or any advice or assistance?

Mr. Goulbourne: There are two housing projects that were approved in the city of Welland. They were a cost-sharing program, with all levels of government. Our municipality stepped up and contributed some dollars to that through our downtown redevelopment fund. I know the province did, too. I know there was a bit of a—I'd like to put this as diplomatically as possible. The funds that came from the province really stood out as not being enough compared to what was available from the cities and from the federal government. It was fairly obvious when they made that presentation that night.

So the role of government when it comes to housing: I think that presentation that was done by Gateway Homes definitely illustrated it. But at the same time, flexibility for municipalities to make some of the choices when it

comes to property taxes—the province has control over that. If we could have that flexibility so we can encourage residential development in our downtowns, that would be a wonderful resource. It's not so much money, but tools and flexibility, the ability to make choices that are unique to our municipality, which may be different than downtown Niagara Falls. That's what we'd like, actually.

The Chair: Thank you for your presentation this morning.

ONTARIO SECONDARY SCHOOL
TEACHERS' FEDERATION,
DISTRICT 22

The Chair: I call on the Ontario Secondary School Teachers' Federation, District 22, Niagara, to please come forward. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I'd ask you to identify yourself for the purposes of our recording Hansard.

Mr. Daniel Peat: Thank you. My name is Daniel Peat. I'm president of the Ontario Secondary School Teachers' Federation, District 22, Niagara. I'd like to thank you, first of all, for the opportunity to address the committee. As president of OSSTF, District 22, Niagara, I represent over 1,300 secondary school teachers and occasional teachers working in the District School Board of Niagara to serve students from Wainfleet to Fort Erie to Niagara-on-the-Lake to Grimsby.

In the past year, changes to government funding to address student success have allowed significant positive changes to take place in our schools. This funding has allowed the reduction of class sizes for students at risk, the addition of student success coordinators and the restoration of staffing in special education and guidance departments, which had been cut during the years of the previous government.

However, there are still numerous shortcomings to the funding formula for secondary schools, many of which were identified by Mordechai Rozanski in 2002. Members of the committee are doubtless familiar with Dr. Rozanski's recommendation to update funding benchmarks for school funding, and then to provide for annual inflation adjustments to those benchmarks. These benchmarks were set at inadequate levels by a government that was admittedly trying to create a crisis in public education. The current government has yet to fully address this problem, which necessarily results in underfunding for services, supplies and equipment for students, the postponement of repairs to school buildings, and a culture of fundraising which results in inequities of opportunity for students.

Within the funding formula there are also arbitrary, one-size-fits-all parameters which have an adverse effect on education in Niagara. Take, for instance, the assumptions regarding the average size of secondary schools. As one of the first-settled areas of the province, regional Niagara has evolved from many long-established local

communities, each with its own identity. The secondary school in each of those communities is an important part of that local identity. While some secondary schools have recently been closed in urban areas such as St. Catharines, Niagara Falls and Welland, the vast majority of our 21 secondary school buildings remain with enrolments well below the size assumed by the funding formula. This means that funding is inadequate for principals and vice-principals, for support staff such as secretaries and caretakers, and even for safety concerns such as sanding parking lots.

While the current government has made some effort to address this shortcoming through funding initiatives affecting some rural schools in Niagara, the reality that secondary schools in regional Niagara serve a community of communities has not been addressed. This committee should be prepared to recommend the funding of these needs on a per school basis, not on a per pupil basis, when a school board can demonstrate that smaller schools serve the needs of its communities.

The considerations just noted above also have an impact on school transportation costs. Ongoing consultations on funding school transportation must address the current needs in Niagara, where hundreds of thousands of dollars of necessary busing costs are currently met by diverting funds from other needs.

Another arbitrary parameter in the funding formula which does not permit full service to students is the funding of only 7.5 credits per secondary school student per year. In the District School Board of Niagara, the average credit count is 7.68. This gap amounts to approximately 18 teachers, almost one per secondary school in our school board. Think of what an impact that one missing teacher, a trained, dedicated, caring adult, could have on the lives of our most at-risk students in each school.

Other students who have been neglected as a result of the previous government seizing control of education funding are adult learners. Niagara's economy is changing rapidly. Jobs in the auto sector and steel industry have been disappearing and are being replaced by employment in the hospitality and service sectors. While the need for adults to attain new skills and qualifications has grown as a result, once-vital DSBN adult education programs in each of Niagara's communities are a shadow of what they once were, because of inadequate per pupil funding for adult students. As a result of evolving as separate communities, public transportation between centres is limited, therefore access to appropriate community college programs is also limited. However, secondary schools are located in each community, where aspects of this need could be served. Full funding for adult education could allow another option for adult learners.

Obviously, the economic needs of the Niagara region are not limited to its educational needs. The region is well situated for a rebirth of manufacturing industries focusing on 21st-century needs, such as renewable energy technologies. The committee would do well to seek out experts in such fields to determine how recom-

mendations of the committee could help to vitalize our economy.

0950

Beyond concerns specific to the Niagara region, there are two significant issues to which the committee should give some attention. The first of these issues is the government's ambitious intention to keep students in school to age 18. There is no doubt that staying in school is a positive thing. Statistically speaking, every year of education contributes significantly to an individual's earning power throughout his or her lifetime, and thus to the economy and society as a whole. However, passing a law linking drivers' licences to school attendance is not enough.

The crucial part of the endeavour to keep students in school and improve graduation rates will be to develop the right programs for students who would otherwise end their education. Funding to develop these programs will be required for school boards to draw upon the expertise of teachers already within their employ. Only after pilot programs have been evaluated will the practices which have the best rate of success be identified.

When OSSTF members in Niagara are asked what they believe are the most important barriers to the success of students now at risk of dropping out, three things are mentioned: developing a variety of programs to serve a variety of students; providing all the supports of a full-service school, including youth workers and attendance counsellors; and providing the funding for a low pupil-teacher ratio.

The last issue I wish to address is the funding of infrastructure. This includes not only school facilities but hospitals, roads, sewer and water improvements and public transit. Many OSSTF members are worried about the alternative financing and procurement measures which the Ontario government is instituting to fund needed infrastructure. Members of the committee would do well to read *Flawed Failed Abandoned: 100 P3s*, available on the Canadian Health Coalition's website.

In health care, the problem with P3s by any name is obvious. If the private sector is financing or operating a hospital, then the profit being taken out of the operation is coming from health care dollars that are not being spent on health care. The same is true for schools. Although the government's focus for AFPs is currently on hospitals, the same problems would apply to P3 schools, as failed experiments in Nova Scotia have shown.

Public services like health care, schools and transit should be left to the public sector. Surely the motivation of members of the Legislature to get the most out of every dollar of taxes paid is at least as good a motivator of efficiency as is private profit and the so-called invisible hand of the market. Any illusion that the private sector can provide for Ontario's current needs for infrastructure and that Ontarians, their children and grandchildren would not pay dearly for that decision is more than an illusion; it is a delusion.

Thank you once again for the opportunity to speak to the committee. On behalf of OSSTF members in Niagara,

I hope you will take into consideration some of the inequities and shortcomings I have noted in the current funding formula for education and consider the long-term implications of your recommendations on the crucial investment of our tax dollars in public education and public infrastructure.

The Chair: Thank you. The questioning will begin with the government.

Mr. Wayne Arthurs (Pickering-Ajax-Uxbridge): Daniel, thank you for being here this morning. It's not the first opportunity we've had to hear from the OSSTF during the budget consultations. Given the very important role you're playing and educators are playing in the future of the province and that the commitment of this government to education is a high priority, I think it's important that we hear from a number of OSSTF representatives and other representatives from various jurisdictions across the province.

I'm particularly interested in your comments regarding extending education to 18, formal or informal, and some of the priorities you've set out in your presentation in that regard: issues such as the inclusion of youth workers and attendance counsellors, and low pupil-teacher ratios for those purposes. We really haven't heard anyone formally mention, until this submission—at least I hadn't paid attention to it if I did hear it—the issue of attendance counsellors. Can you elaborate for me on why you see that as one of the priority areas for that group of students?

Mr. Peat: I've worked with students at risk in Eastdale Secondary School in Welland, where I taught. One of the biggest problems with those students, whether they're older or younger than 16, is their regular attendance, so there is a function that could be assumed by someone who was dedicated to that function. If the students aren't there, they can't learn.

Mr. Arthurs: My sense of the initiative that we have to date is to provide a high degree of variety of options for those students to be able to engage in, not necessarily the formal classroom structure. I guess my own sense was that there would be enough options that would encourage students to stay without the need for the attendance-counsellor-type function.

Mr. Peat: I agree that we're not talking about just staying in a school building, that we have to look at a number of options that are extensions of our existing co-op programs and our tech education programs. But even then, young people, even if they're over 16, are not all that disciplined all the time. There are lots of distractions and temptations that could take them away from whatever their placement was outside the school. So whether it's within the school or outside, I think there's a definite need for that sort of help.

The Chair: Thank you. Now we'll move to the official opposition.

Mr. Barrett: Thank you, Daniel, for the OSSTF's presentation. As you indicate, passing a law linking drivers' licences to school attendance is not enough. I can see where theoretically it would have less impact on, say, students in a city like St. Catharines or Niagara Falls,

where there is public transit. There's less of a need to get around in a vehicle. Is there any thought of extending this to urban students who use, say, the TTC in Toronto or use public transit where, based on their attendance, they would have their student pass taken away or not be allowed to get on a city bus in the same sense that students in rural areas would not be allowed to drive a vehicle?

Mr. Peat: I hadn't thought of that, but in my experience in working with students, probably in 80% of the cases the carrot is much more important than the stick. I think our focus should be on developing the programs that meet their needs. If we can do that, we're more likely to have them participate in those programs and actually learn through those programs. So I suppose your suggestion is a possible extension of part of the strategy, yes.

Mr. Barrett: Do you think there's any merit at all in not going forward with this proposal to prevent students from driving?

Mr. Peat: I think that, unfortunately, the controversy about it has detracted from the main focus, which should be what the programs are, what they look like and how we can develop them using the expertise of teachers who already work with students at risk.

The Chair: One minute.

Mr. Barrett: Quickly, one last issue: Throughout Niagara—and I'm not aware of the status—are any schools being merged, either secondary or elementary schools?

Mr. Peat: There's been a moratorium on that for over two years now, so we haven't got any guidelines about how to go about closing or merging schools. It's certainly something that many people in Niagara are looking to as part of the solution, especially in the more urban areas.

The Chair: Thank you. We'll move to Mr. Prue of the NDP.

Mr. Prue: Thank you very much. Your arguments and the things you are requesting seem to me cogent and well-reasoned. Of course, the government is going to have to find money for it.

We have heard other presenters talking about getting rid of the EQAO to save \$70 million and putting that into things like guidance counsellors, things just to improve the schools. We've heard from other presenters that a good deal of money could be saved by having one school board. You haven't talked about either of those, and I'm just wondering about those or any other topics where you think the government could save money and plow it back in to the students, the teachers, where it's needed.

Mr. Peat: Thank you, Mr. Prue. I think you answered your own question. Yes, certainly EQAO spends a lot of money unnecessarily. The results are used for purposes other than improving education. The cost of monitoring the effectiveness of programs could be greatly reduced and done within school boards coordinated by the Ministry of Education.

Niagara, and particularly Welland, the community I'm from, is a good example of a community where a merging of school boards could be very useful. Prior to Bill 160 in 1998, we had one school board that covered

both the English public schools and the French public schools, and therefore cut down on the overhead. We've made a lot of efforts in Niagara to share services, but there are services, such as busing and basic board overhead, where significant savings could be made in Ontario. In fact, OSSTF has just done a review of that sort of thing. Perhaps you could request a copy of our review of the financial possibilities of that throughout the province.

1000

Mr. Prue: In terms of guidance counsellors, you talked about youth workers and attendance counsellors. I take it they were largely removed during the years when education was a low priority to the then government. It seems like everybody who wasn't a teacher was yanked out of the system. Has that had a detrimental effect on the students themselves, especially the dropout rate, that kind of thing?

Mr. Peat: Yes. I think anything where you take adults out of the school has an effect because the adults who are there are spread much thinner. So they can't give as much attention to any one student, to that student who has a critical problem. It's very hard to find the time to deal with that when you're doing other things that perhaps someone with a specialized skill could be attending to. So, yes, because of the structure of the funding formula where certain things were protected and others weren't, we got a loss of those particular jobs.

The Chair: Thank you for your presentation.

REGIONAL MUNICIPALITY OF NIAGARA

The Chair: I would call on the regional municipality of Niagara to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Peter Partington: Good morning, Mr. Chair and members of the committee. My name is Peter Partington. I'm the chair of the region of Niagara. With me is Mr. Mike Trojan, the CAO of the region, and also Mr. Doug Martin, a regional councillor from the town of Fort Erie and the chair of our corporate services committee.

Welcome to Niagara. Niagara is a great place to live and to visit. It encompasses 12 municipalities over 1,800 square kilometres, and we're home to 425,000 Ontario residents. We have exceptional agricultural production on a limited amount of land below the Niagara Escarpment. Our tourism industry attracts over 15 million visitors a year, and we are critical to the socio-economic well-being of the province of Ontario and of Canada.

We, like a number of other regions and municipalities in Ontario, do, however, have significant challenges, including responsibility for providing the ever-growing and costly public health, emergency, social services and transportation needs with a very restrictive stream of revenue, the property tax system.

Notwithstanding the commonality of services provided across the major municipalities of Ontario and funding concerns, we in Niagara differ significantly from a number of municipalities in Ontario, and particularly the Golden Horseshoe, as to our economy and our ability to pay for ever-increasing municipal service costs.

Our manufacturing sector is primarily branch-plant-oriented. We have a sizeable tourism and hospitality sector, significant agriculture and greenhouse production, and development in telecommunications and call centres. Most of these sectors of the economy are struggling. For example, tourism has been set back by September 11, 2001, by SARS and by the appreciation of the Canadian dollar. Manufacturing is the most significant contributor to the GDP in Niagara; however, manufacturing jobs are on the decline. Our unadjusted unemployment rate on average for 2005 was 7%, compared to a provincial average of 6.6%.

Lower average earned income associated with our economic profile and a higher share of seniors in the overall population contribute to the region's lower than average household incomes and high out-migration of our youth. FCM data suggest that 16% of our population is over 65, while the national average is 13%. With a higher share of provincial citizens 65 years and older residing in Niagara, government transfer payments account for a larger share of personal income in our region compared to elsewhere.

Furthermore, according to the 2003 Statistics Canada data, Niagara had a median family total income of \$63,800, compared to \$98,700 in Oakville and \$86,900 in Burlington, communities that are within an hour's drive of Niagara. Our median family total income was the lowest of the 11 Ontario municipalities reported by Statistics Canada, and compares to a provincial median income of \$67,500.

According to the 2005 BMA Management Consulting municipal study, nine of 12 lower-tier municipalities in Niagara had a higher ranking as to total municipal tax burden as a percentage of income available on an average household. No Niagara municipality had a low ranking as to municipal tax burden, while other municipalities within a 100-kilometre radius of Niagara did have a low ranking, communities such as Burlington, Cambridge, Guelph, Oakville and Waterloo. As a consequence, property taxes represent a greater percentage of disposable income in Niagara than many other Ontario communities.

Social services and public health programs, such as the Ontario disability support program, represent approximately \$100 million, or 40%, of the region's annual tax levy. Relief from this inappropriate burden would allow the Niagara region to invest in improvements to our infrastructure. The Association of Municipalities of Ontario has identified the difficulties faced by municipalities as the result of social programs designed for income redistribution being placed on their property tax base.

Niagara has been, and continues to be, supportive of AMO's campaign to have social programs removed from the property tax base, and certainly, if nothing else, no

further burdens should be added. We in Niagara do not have the same assessment base or ability to raise revenues for needed infrastructure investments as do many other municipalities. In addition, the new greenbelt legislation will restrict economic growth for a number of municipalities in Niagara. It has accentuated our concern as to our ability to pay for municipal services.

Niagara region, through the Niagara Economic Development Corp., has completed its own Niagara economic growth strategy. The province needs to incorporate our regional development strategy when implementing its Places to Grow plan and to provide the infrastructure support to allow and promote the growth that is essential to our future prosperity, especially in our north Niagara communities.

We believe that there are a number of areas where the province can significantly advance its vision for Ontario's future through supporting Niagara in its quest to maximize its potential as a strong contributor to the provincial economy. We need timely investments in provincial highway infrastructure. The Niagara-GTA corridor environmental assessment process needs to be advanced as expeditiously as possible. Funding needs to be in place to ensure that Highway 406 is expanded to four lanes—it's currently under construction—down to East Main Street in Welland, once the necessary design work is completed. Funding needs to be in place to move forward with the design work to move the 406 across the Welland Canal and down Highway 140 to Port Colborne. The expansion of the Queen Elizabeth Way to six lanes through St. Catharines to address current gridlock needs to be completed.

We need to ensure that the communities that are affected by greenbelt legislation—in Niagara, their boundaries are totally frozen, unlike the rest of the greenbelt area—are provided with tools that will allow them to grow and develop within their urban boundaries. Development that is consistent with the spirit of the greenbelt must be allowed to continue in our northern communities. Third-party liability needs to be removed from the Brownfields Statute Law Amendment Act.

Niagara is a key linchpin between the dynamic economies of southern Niagara and the eastern United States. The Niagara frontier border crossing is the second-busiest crossing on the Canada-US border, with over 22 million vehicles utilizing the crossing in 2002. Seventy per cent of all New York-Canada commercial traffic crosses at the Niagara border. Furthermore, trade flowing across Niagara's border crossings in 2002 was valued at over \$105 billion.

1010

Niagara is committed to making a strong contribution to the success of the province, but to reiterate, our regional development plans must be incorporated into the province's Places to Grow plan. The Niagara-GTA corridor environmental assessment and the expansion of the 406 must move forward as quickly as possible. We need your support for our greenbelt-impacted communities.

We need a provincial commitment to address the fiscal imbalance created by the funding of social programs through the property tax base. We will continue to support the Association of Ontario Municipalities' and the Ontario Municipal Social Services Association's positions on this issue.

We support the province in its vision for Ontario's future, and Niagara wants to be a full partner. However, we need to be given the tools to succeed.

The Chair: Thank you. This round of questioning will go to Mr. Hudak.

Mr. Hudak: Thank you, Councillor Martin and Mr. Trojan. I and my colleague Toby Barrett have some questions on highway development, like the mid-pen, which I'm also a big proponent of. Mine are specifically about the OMERS bill currently before government, Bill 206. Hazel McCallion has called this the biggest down-loading in the history of the province, or something to that effect. I want to know the impact that would have on the region of Niagara. Secondly, with respect to provincial transfers to Niagara's municipalities, I understand that, despite the finance minister's comments to the contrary, they have actually gone down in Niagara.

Mr. Partington: To the first part of the question, I had the opportunity to appear before the Bill 206 committee last week, and clearly the effect of that bill for Niagara region, if it goes forward—we have emergency services and police. That would add 1.9% to the property tax bill. If you include the fire services that, of course, are administered by the local municipalities, you would have a total of a 3% increase in the tax bill for the taxpayers in Niagara.

When we made that presentation, we also indicated that in a go-forward—because there's some suggestion that all of this is subject to collective bargaining and negotiation, and that's the worst-case scenario—our concern is that it'll lead to arbitration. One of our concerns in Niagara is—first of all, arbitration should not be part of the process, and it certainly would be necessary to make that clear. But going beyond that, in the arbitration process generally, you heard when I indicated earlier that our average family income can be \$30,000 less than some of the central Ontario figures, yet through arbitration we'd pay the same rates. Arbitration is supposed to take into consideration the ability to pay, but it doesn't. So that would leave us very vulnerable. That's why we really believe that that bill should not go forward.

Maybe with respect to the second part of the question, I could ask Doug Martin or the CAO to come in on that.

Mr. Mike Trojan: The second part of the question had to do with transfer payments in Niagara. With the new Ontario municipal partnership fund, although the guaranteed funds there provide similar amounts collectively to the Niagara municipalities, over time, if the guaranteed funds are withdrawn, the total impact is—I think originally we calculated it's about \$5 million, but we've received some adjustments to the region's portion of the Ontario municipal partnership fund which miti-

gates that somewhat. But net, overall, we're still lower than we were under the previous program.

One of the points we're making in the presentation is that it's not necessarily sensitive to the circumstance in Niagara, as was highlighted in the chairman's presentation, having to do with things like average incomes in Niagara and the tax burden as a percentage of income in Niagara. It doesn't mitigate the impact on our residents and our taxpayers.

The Chair: Now we'll move to Mr. Prue of the NDP.

Mr. Prue: We've read a lot in the paper recently and there have been some debates in the Legislature about the number of manufacturing jobs that Ontario is losing.

I understand that the Niagara region is losing probably more than its share of those jobs. Is that the reality?

Mr. Partington: I think over the last few years we have lost a significant number of jobs. In some ways we were somewhat heartened when the General Motors announcement came through that we were losing 130 but there would be a reinvestment in the Glendale plant of close to \$200 million and they'd be hiring 110. So that probably, overall, was good news. But over the last few years we have lost 10,000 to 20,000 jobs, probably, in the manufacturing sector.

Mike, Doug, do you have the figure on that?

Mr. Trojan: Not the precise figure, but I think it has to do with the fact that manufacturing was such a large portion of our economic base, with the automotive industry and the steel industry, and it's being felt, and it has been felt over the last decade, with the loss of jobs. That's why we're attempting to diversify the economy.

Mr. Partington: It still is our largest economic driver, notwithstanding the great publicity, which we appreciate, for Niagara Falls in wine and tender fruit. But we still are basically a manufacturing area—substantially.

Mr. Doug Martin: Just one more, if I can add to that as well. The costs of manufacturing within the Niagara region are significant in the fact that the taxes we're now bearing from those large industrial corporations are increasing every year. It's getting to the point now that with the provincial responsibilities that are sent down to the municipalities and to the region to perform, without any sort of consultation with them, that goes directly on to the cost of producing a car, for example, at General Motors. This year, when we're going through our budget, currently our regional departments are at a 0.9% increase, but just the single item with the ODSP adds another 1.5% net on to our budget this year, just for that one issue alone. So you can see the struggles we're having in trying to maintain our industrial component within the Niagara region when the taxes we have to charge them are basically putting them out of business.

The Chair: We'll move to the government.

Mr. Arthurs: Chair, welcome; and Councillor, welcome. It's a pleasure to see you and hear from you today.

The initiatives of our government on a few areas that you were making reference to: responsibilities for emergency and social services, transportation, cost of public health—I think the Premier made some comments a while back that we've become addicted to the revenue

from gambling. It seems appropriate; we're so close to it here. I think the province, over a period of time, has become addicted to the property tax as a means to support provincial initiatives. I think any municipal politician in Ontario will sing that out very loudly.

We've made some headway. The gas tax is one initiative, and the feds have followed on that. We're working through an upload on public health to get to 75% by the end of this mandate. Other major types of initiatives have been referenced, whether it be social services and public housing, which I think are so substantive. In my view, we won't see short-term action on that type of initiative.

You haven't mentioned, though, the ambulance-related activity, the emergency activity for ambulance service. I have to think, given the population base and the age base, that demands on the region for ambulance services would be higher than the norm, simply with an aging population. You haven't mentioned what the implications are for you for that type of thing and whether or not, if government at some point is looking at other initiatives to move on, it would be among the priorities that you would see coming off of a property tax base.

1020

Mr. Trojan: In terms of the ambulance service, I think you're right. Because of the demographics in Niagara, the tourism sector, we have a population that expands during the tourist season as well as our geographic makeup, rather a large geographic area with urban pockets. It is challenging for us to provide an adequate ambulance service. We've placed some additional investments in ambulance, with us assuming responsibility for dispatch on a pilot project that has allowed us to improve. But we're still faced with our costs on the ambulance side not being funded to the 50% level; I think they're more in the range of 30% to 35%. We're suggesting that it needs to be a broad-based strategy to look at all the services that are health- and social-related. I don't know that we have one in particular that we prefer that would be added, but I think what we want to do is send the message that 40% of the net tax, or \$100 million out of our levy, is towards those services of a health and social service nature that we partner with the province in delivering, and the burden on our taxpayers is being felt more and more. So our suggestion is that if there's some way of alleviating that or at least capping it in the short term, that helps. It creates some capacity for us to address our infrastructure needs, and it also creates some capacity for our municipalities to address their own needs.

The Chair: Thank you for your presentation before the committee.

TOWN OF PELHAM

The Chair: I call on the town of Pelham to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Ron Leavens: Thank you, Mr. Chair. My name is Ron Leavens. I'm mayor of the town of Pelham. I'd like to extend my appreciation to the committee for allowing us this opportunity to give you a snapshot of the town of Pelham. Immediately to my right is Councillor Sharon Cook. She's also deputy mayor of the town of Pelham. To her right is Anne Louise Heron, our chief administrative officer. To my left is Gord Cherney, our treasurer.

The topic I'd like to speak about today is really to give you a snapshot of our community, to outline to you the special financial challenges faced by smaller communities throughout Ontario who are dependent primarily on the residential property tax base for their income. I believe you have a collection of slides in front of you at this time. The first slide—I'd just like to give you a little bit of information about our municipality. We are a lower-tier municipality within the region of Niagara. We are located right in the centre of the Niagara region. Our municipality has a land area of approximately 126 square kilometres, with a population density of about 130 people per square kilometre. Our 2006 budget estimate, our gross expenditures, is in the neighbourhood of \$9,044,000; our non-tax revenues are about \$1.7 million; and our net expenditure is about \$7.3 million. We have a staff complement of 41 full-time equivalents. Compared to other municipalities our size, our budget is quite low, and our staff complement is low for the size of our municipality. We take great pride in the efficiency of the operations in our town.

Slide 2 gives you a snapshot of the population of the town of Pelham. As of 2004, Stats Canada estimates that our population is 16,493; 2003-04 growth was about 1.2%—we grew from 16,292 residents. In 2001, our population stood at 15,272. Our growth was 8% from 2001-04; and from 1996 to 2004, we grew by about 15%. Our population in 1996 was 14,343.

We are a bedroom community. The vast majority of our residents work outside of our municipality, in adjacent Niagara region municipalities—Hamilton, Burlington, Oakville—and a great many in the GTA.

One of our major activities within the town of Pelham is fruit production. We are part of the greenbelt. About two thirds of our municipality is covered by the greenbelt legislation. We are under the highest level of protection: tender fruit and specialty crops.

As you can see by the graph of our population, we are facing some challenges in the future. While Niagara has a higher than average seniors population, we have the highest seniors population in Niagara region.

If you turn to slide 3, you'll see an indication of the tax challenges that we face in the town of Pelham. Our residential tax base accounts for about 89.9% of our income, compared to an average across the province of 79.4%; multi-res is 0.9%, compared to a 3.0% average for the province; commercial is 3.6%, compared to a 10.7% average; industrial is 0.2%, compared to a 3.2% average for the province; pipelines is 0.9%, compared to a 0.5% average; farmlands, 4.6% compared to 3.1%; and managed forests, negligible. You can see that we are

predominantly dependent on a residential property tax base.

Slide 4 gives you an indication of the breakdown of our tax levy for 2005. If you focus on the blue area, you'll see that about 30% of the levy that we take in is actually applied to the town. That's the only portion over which we have direct control, of course. Our net expenditures per capita are from schedules 40 and 12 of the FIR. We were doing this comparison with municipalities of less than 50,000. If you take a look at some of the areas where we spend our money in the town of Pelham, you'll find that for fire protection, on average, we spend \$52 per capita compared to a \$101 average for other municipalities under 50,000. Our roadways: We spend \$164 per capita compared to \$113. Part of the explanation for that is something that we're very proud of: Although we're a rural community, virtually all our roads in the town of Pelham are paved. Our winter control accounts for about \$23 per capita, compared to an average of \$29, and our library services account for \$31, compared to an average of \$33.

The next slide indicates our debt service from 2000 to 2010. In 2004, our debt per capita amounted to \$62, compared to an average in the survey group of \$243 and a median of \$127. In 2005, our debt grew to \$207 per capita, compared to an average of \$269 and a median of \$159. The reason for the growth in the debt in that year was two incidents that occurred: one was a downloading of a major transportation route through the town of Pelham from the region to the town, for which we had to expend about \$2.5 million to upgrade. The second was because of the greenbelt legislation, and the fact that we were going to be severely restricted in our development in the future because of that piece of legislation, the town, understanding that we had some major challenges for the provision of recreational and cultural activities in the future, had to go out and buy a piece of land because that was all that was available. We knew that developers were in the process of buying everything that was left within our urban boundaries, so we had to spend \$3.5 million to secure a piece of land to meet our future recreation and cultural needs.

Slide number 6 indicates our outstanding debt, and you can see by the 2005 bar that those two incidents—2004 was the debt load produced by the improvements to Canborough Road, then in 2005 the purchase of the land.

Slide number 7 is the summary of our reserves and reserve funds. In 2004 our reserves were 17.9% of our annual expenditures. Long-term debt compared to total expenditures in 2004 was 1.8%. Pelham's 2004 debt reserve ratio is 1.0. However, a single event can cause a significant spike in the tax levy, and that's one of our major concerns.

1030

Critical issues that face small towns like the town of Pelham are the pace of development and cash flow and the timing of that development. We are facing the type of development in the next three or four years that we haven't seen in the last 10 years. That presents some

critical financial problems for us. There are several roads that we are obligated to improve before those developments go forward, with a total cost to the municipality of about \$6 million. Only a portion of that is recoverable through development charges.

Another item that causes us concern is sustainability and development of water and sewer and stormwater management. Our town is located at the headwaters of the Twelve Mile Creek, which is the last cold-water fishery in Niagara, so we have some special responsibility to make sure that what we do with stormwater management is done correctly in the first place.

Sustainable transportation is an issue. I'd probably like to get back to that in more detail in the question period. Probably one of the most outstanding issues for us right now is the development of community parks, recreation and cultural facilities.

The Chair: You have about a minute left for your presentation.

Mr. Leavens: Thank you. Smaller municipalities need access to a fair and predictable portion of the monies the province has to hand down to local municipalities. The awards of money from the province need to be structured so that they support all municipalities and each and every one of us can benefit. We need to redefine how OSIFA is structured so that interest rates are a bargain, and we need support for lower-tier municipalities on a long-term basis.

One of the things we are suggesting is that municipalities be exempted from the PST. We need legislation to limit municipal liability. We need direct involvement in consultation on the design and discovery of local solutions and challenges in co-operation with the province. We need flexibility to accommodate the differences. We need to establish a mechanism to assist small, well-managed municipalities. Thank you, Mr. Chair.

The Chair: And thank you. This round of questioning will begin with the NDP.

Mr. Prue: Thank you very much. You are the first municipality to address this committee that has not talked about the fiscal imbalance. Does that not trouble you?

Mr. Leavens: There is a fiscal imbalance; we realize that. I must say that the present government has taken some steps in the right direction, but we need to move forward faster. I left that to the chair of Niagara region to speak to, and I notice that he did. But, yes, they have an impact on what we can take from the property tax. I believe that if funding for social services and public health services returns to the level where it was in the 1990s, we would have about 22% more room to tax on a local basis. So it does have a huge impact.

Mr. Prue: Okay, and more than likely, if you add that 22%, it would get rid of virtually every problem you have?

Mr. Leavens: As long as the region didn't use it.

Mr. Prue: Yes, of course. Absolutely.

The lack of manufacturing, the lack of a commercial-industrial base, must make it very difficult whenever there's any kind of movement in terms of what you want

to build because it goes directly to the homeowners and to the farmers.

Mr. Leavens: It does. Looking through the BMA report over the weekend, I discovered that, in effect, 95% of our revenue in the town of Pelham comes from the residential property tax base. Only 5% comes from commercial or industrial. That's okay; that's the kind of community we want to live in. But on the other hand, when you look at the city of Toronto, only 39% of their revenues comes from the residential property tax base. There's a gross inequity there.

We need help to provide the services that our residents expect from the provincial government. I find it very difficult to justify providing services on a competitive basis. For example, as mayor of a small community I could live with competing for money from the provincial government to provide what we call soft service: culture and recreation, those things. But when it comes to hard services like roads, water and sewer, every municipality in Ontario has exactly the same types of challenges, therefore we need to be treated equally. Over the past 10 years, our municipality has been the recipient of a very small, minuscule portion of the CRF funding and the OMPF funding. Under CRF over the last three years that it existed, I think we got \$26,000 a year. Is that correct, Gord?

Mr. Gord Cherney: Twenty-six thousand dollars a year for six years was—

Mr. Leavens: And under the new formula with OMPF, we get zero.

The Chair: Thank you. We'll move to the government.

Mrs. Mitchell: Thank you very much for taking the time to come out today and speak to the committee. We really do appreciate it, especially when we hear from the region's small municipalities. It certainly gives us a better sense of what's happening throughout the province.

I would like to give you the opportunity to give us more on what you're saying here with "direct involvement: consultation on the design and finding local solutions to challenges." Could you please expand on that? I'm assuming that you're speaking to the roads.

Mr. Leavens: Roads are a major challenge in small municipalities. We would hope that the provincial government would include municipalities, through AMO, in designing programs suited for the local needs. For example, although all municipalities have needs, municipalities with populations under 30,000 have needs that are very different from perhaps the city of Toronto. So when programs are designed, we don't need a one-size-fits-all program. We need programs designed for particular situations in various sized communities. We would hope the government would increase the consultation with AMO in that direction.

I guess I can use an example. The provincial gas tax doesn't do our municipality any good at all. We do not have a transit system and we will not have a transit system in the near future, so we don't benefit from the provincial gas tax at all, but our residents pay that gas

tax. So we're asking for equity and fairness in how these programs are implemented across the province. I realize that the provincial government is using provincial gas tax rebates as a method to encourage mass transit, which I am fully in favour of, but at the same time, we have challenges in our own communities, and we will never have the mass transit that the larger municipalities have.

Mrs. Mitchell: As you are speaking to the finance committee, you're asking for bargain rates with regard to funding that is provided by the province. What is the number?

Mr. Leavens: Zero per cent.

Mrs. Mitchell: I had a sneaking suspicion.

Interjection: Now, that's a bargain.

Mrs. Mitchell: That is a bargain.

The Chair: We'll move to the official opposition.

Mr. Hudak: Thank you, Your Worship, Councillor Cook, Ms. Heron and Mr. Cherney, for a great presentation.

You anticipated some of my questions. I'll put them out there just in the interests of time and look for a response.

First, on MPAC, I'm curious about the level of assessment increase in Pelham, especially when you have to rely so much on residential, and if you have any suggestions on MPAC reform.

Secondly, as the mayor mentioned and committee members heard, they're in a unique situation as a greenbelt municipality that gets no aid from the province directly and no COMRIF funding to date, if I understand, as well. In terms of an ongoing revenue source, my colleague Mr. Yakubski has a private member's bill that has the support of all three parties to allow the gas tax to also go to what is public transportation in small municipalities, roads and bridges. Your thoughts on that.

Mr. Leavens: First of all, with respect to MPAC and the greenbelt legislation, it has had a significant impact in the town of Pelham. Our average assessment increase this year was 16%, but when you take a look at the residential properties within the greenbelt, which covers about two thirds of our municipality in the northern sector, the range there was a 40% to 50% increase in their assessment. Councillor Cook can speak to that because she lives in the greenbelt. I think her assessment went up, what, 40%?

Ms. Sharon Cook: My assessment went up 42% with the last MPAC.

1040

Mr. Leavens: I think we need to understand that because of the large seniors population that we have in the town of Pelham, we're a fairly affluent community, but we have a good number of people who bought or built homes in the municipality back in the 1940s and 1950s, and it cost them \$5,000, \$6,000, \$7,000 to build those homes. Those homes are now assessed at \$400,000 to \$450,000. These are people who are living on modest fixed incomes. A lot of them are farmers who have retired. A lot of them are people who have lived in the

community all their lives and their families have lived there all their lives, so it has a great impact on them.

I'm sorry—

Mr. Hudak: The bill to allow the gas tax to go to municipal transportation and construction, not just transit.

Mr. Leavens: Probably if the provincial gas tax had been distributed to the municipalities on the same basis that the federal gas tax was, we wouldn't be here talking to you today, because at the end of five years, that would bring in excess of \$1 million per year into our municipality, which would go a long way to resolving the financial problems we're facing at this time.

The Chair: Thank you for your presentation.

ONTARIO SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS
NIAGARA FALLS HUMANE SOCIETY

The Chair: We'll move now to the Niagara Falls Humane Society. Would you please come forward.

Mr. Hudak.

Mr. Hudak: Just before our next presenter, Mayor Leavens brought up the point about a PST exemption. If I could ask our intrepid and hard-working research assistant, Mr. Johnston, to report back to the committee on the cost to the provincial treasury of a PST exemption for municipalities.

The Chair: Yes, we'll do that.

Mr. Hudak: Thank you.

The Chair: Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Ms. Valerie Brown: Should I do that right now?

The Chair: Yes. You can begin.

Ms. Brown: Okay. Thank you, Mr. Chair and committee members, for allowing me to come to speak to you today. I am Valerie Brown, and I am the general manager with the Niagara Falls Humane Society.

First, I would like to tell you who we, the Ontario SPCA and the Niagara Falls Humane Society, are and what we do. The Ontario SPCA is a non-profit charitable organization dedicated to the protection and welfare of all animals, from birds to bats, rats to raccoons, dogs to deer, and cats to cows. The Ontario SPCA branches and affiliates provide care and shelter to tens of thousands of animals every year. The Ontario SPCA is mandated under the Ontario SPCA Act to enforce animal cruelty laws. Under the act, society investigators have police powers to enforce this act. We are also a named agency in the new Dog Owners' Liability Act, also known as the pit bull legislation. We are called in by government ministries such as OMAFRA and the MNR on a regular basis to perform services for the province, and of course that's unfunded.

In our community, the Niagara Falls Humane Society is an affiliate member of the Ontario SPCA. Our society provides an animal shelter for Niagara Falls proper. Our

services are focused on a mix of animals, as I mentioned earlier. Our operating costs are approximately \$750,000 annually. We receive no government funding to operate our day-to-day programs and investigations mandates.

Demands on animal welfare are growing in Ontario, but funding isn't. In the past five years, the number of animals rescued by the Ontario SPCA has more than doubled, and the number of animal cruelty charges laid by the Ontario SPCA and its affiliated humane societies under the Criminal Code of Canada and provincial legislation increased sevenfold. That means 3,095 animals rescued in 2000, compared to 7,267 in 2004. That also means 97 criminal charges laid in 2000, compared to 695 laid in 2004. The number of search warrants executed has more than quadrupled, and the number of SPCA orders issued has almost tripled. The pit bull legislation has caused an increase in our workload as well. Animal care and protection costs have increased as a result of increasing activity in the investigation and seizure aspect. In 2001, animal care and protection expenditures were \$6.4 million, and they were \$8.1 million for 2004. This is a 26.4% increase.

Here in Niagara Falls, as I mentioned, our operating costs are \$750,000 annually. Our office in Niagara Falls has received strong community support for many years; however, due to growing demands, it is not enough to meet the financial needs of the organization.

What are the financial realities for the Niagara Falls Humane Society? Our costs to enforce the Ontario SPCA Act and portions of the Dog Owners' Liability Act—once again, the pit bull legislation—are approximately \$79,000 per year. Our facilities in Niagara Falls have long outlived their useful life, and we are facing repairs that probably will cost about \$100,000.

Service demands in Niagara Falls are increasing. In 2005, we investigated 423 cruelty cases for a population of 80,000 people. This is increasing each year. We also have a transient population in Niagara Falls that unfortunately often abandons their animals, and we often need to deal with cruelty and neglect issues as they relate to this transient population. We are also called on to respond to tourist-related issues. Most often this is dogs locked in cars on hot summer days.

We have been proactive in educating the community, which leads to awareness and therefore an increase in demand. The rise in investigations has impacted on staff time and resources. We are not in a financial position to financially support the operations in our community. As a result, we are presently considering the following cuts to our services: to not provide after-hours response; no veterinary services for animals in need; to perhaps devolve many of the functions to the police service, although the police, of course, do not have the resources, capacity or training to provide this service currently in our area; or to devolve shelter services to the municipality or region.

However, solutions lie in a government-commissioned report. Following the provision of one-time emergency funding to the Ontario SPCA, the McGuinty government

commissioned an independent review of the agency and its business, the Grant Thornton report. Its main recommendations were clear: The government must provide interim funding to facilitate the stable operations of the Ontario SPCA and its branches until a long-term strategy is developed, and the government must lead the development of this long-term strategy for the provision of animal welfare services. It was recommended that this strategy should consider a review of the legislative and governance structure. It also recommended the development and consideration of a capital funding plan by government, including building renewal and new technology. The government received this report in February 2005, but it was not released to the Ontario SPCA until late July 2005. This is of relevance to the Niagara Falls Humane Society because our funding issues mirror those of the OSPCA, and any solutions that could benefit them will benefit us. Our dilemma is: no strategy, no funding, no options.

Since the release of the Grant Thornton report, the Ontario SPCA has moved quickly to adopt any of the recommendations within its control, such as accounting updates, review of legacy donations and other items. What is disappointing is that the government has not moved on its part to advance the work of this report. Despite being told for months that a strategy was being developed by the Ministry of Community Safety and Correctional Services, it has finally been confirmed that no such strategy exists. The Ontario SPCA was invited to propose ideas to find new financial stability, and at Minister Kwinter's direction MCSCS was to take the lead. After several months there has been no progress, and it has been confirmed to us that the ideas will not be advanced.

1050

The Ontario SPCA has been clear that it is critical that the legislative and governance review needed to proceed, and it requested modest financial help for facilitation. MCSCS has indicated that there is no money available to assist, and it has been a roadblock to progress in this respect. Their indication of interest is critical to making the process considered by this review work. The government has never responded formally to the recommendations in this report and its very clear suggestions as to how government ought to be supporting animal welfare in the province. We, the Niagara Falls Humane Society, are supportive of the Ontario SPCA in their efforts.

Our concern is that current decisions and approaches are short-sighted. Cuts in services have a very short-term impact on cash flow, but have a long-term negative impact on the ability to fundraise in the affected communities. The Ontario SPCA is faced with the dilemma of making massive cuts to service and closures around the province. Withdrawal of our services means that police services and local municipalities have to provide the necessary services. This is not cost-effective. It is estimated that the cost to police would be approximately \$30 million annually, with additional start-up costs of

approximately \$10 million to \$20 million. These projections are based on public information about police costs and our actual animal-welfare-related statistics.

Municipalities are unwilling to take on the burden of other unwanted animals such as cats and rodents, and probably don't want to deal with dogs either.

All of the cuts would be made without the benefit of a provincial long-term strategy for animal welfare, a strategy called for by the Grant Thornton report, endorsed by the Ontario SPCA and acknowledged as a necessary step by government.

It would seem more practical to establish some interim funding, allow the organization to do the internal reviews, and allow government to consider a more relevant legislative framework and ensure that services are maintained by an animal welfare agency instead of the police services.

Our hope is for a partnership with government. The Niagara Falls Humane Society is supportive of the Ontario SPCA in its efforts to get the government of Ontario to act on the recommendations of the Grant Thornton report as soon as is practicable. The cuts in services to the Niagara Falls Humane Society will lead to hundreds of unwanted animals being neglected and an enormous increase in the number of animal welfare issues that cannot be addressed. This is not an outcome that makes sense for our community.

Interim funding can assist with keeping the facilities open and operating in our community and will allow the Ontario SPCA the breathing room that it needs to reinvent and reinvigorate itself.

We urge the government to provide interim financial funding for the Ontario SPCA and its affiliates; conduct a legislative and governance review of the Ontario SPCA; and support a legislative package that would be an interim step in giving the Ontario SPCA the legal and financial tools it needs to advance animal welfare.

Thank you very much for your time and consideration of this request. I'd be happy to answer any questions you may have.

The Vice-Chair (Mr. Phil McNeely): Thank you, Ms Brown. We'll go to the government.

Mr. Arthurs: Valerie, thank you for your presentation.

I come from a municipal jurisdiction that has an animal control system called PAW, Pickering-Ajax-Whitby animal control; that has been changed recently. So my history is one where the local municipalities, singly or jointly, have provided for animal control. I don't think—I've never sat on the committee—that the level or the range of services was as extensive as the SPCA service level.

You're referencing, though, some \$750,000 as your annual operating budget. Can you tell me, because I'm not familiar: Are those all fundraised dollars; is there any municipal contribution to that? Secondly—if you can answer two questions, then I'll just have the two: If you had to choose between operating dollars and capital

renewable dollars, in an interim solution, what would you look to as the priority?

Ms. Brown: For us in Niagara Falls, we do hold the fee-for-service contract with the city of Niagara Falls, so we do the animal control function. Actually, it's just canine control here—but nonetheless. So that is a good portion of our revenue; it's about 65%. All the rest is fundraised, so you can imagine how that comes by. The fundraised portion of the dollars is the part that pays for humane education programs, day camps for kids, all the cruelty investigations.

On the second question, I don't know. That's a hard question to answer. As we stand now, I am taking out of the operating budget to try to maintain the building. So probably I would say that we could definitely use some capital funding.

Mr. Arthurs: Thank you, and I appreciate the response to the hard questions. Those are exactly the kinds of questions that governments are asked to respond to as well—the tough choices.

The Vice-Chair: We'll now go to the official opposition.

Mr. Hudak: Ms. Brown, thank you for the presentation, and congratulations on the great work that you do for the humane societies here in Niagara. My parent, Doug Gator, was an alumnus of the Niagara Falls Humane Society.

I have a couple of quick questions. First, you mentioned the so-called pit bull legislation and the additional costs that are unfunded, effectively downloaded by the government to the humane societies. Can you give me some examples of that? I seem to recall an article in the *Hamilton Spectator* a couple of months ago about humane societies having to euthanize pit bull puppies—a sad state of being.

Secondly, does anything from the Grant Thornton report in particular stand out for you as priorities that would come out of that report?

Ms. Brown: Regarding the pit bull portion of the question, it's more complicated in Niagara Falls, because technically we don't enforce that act; however, the public believes we do, because it's an animal issue. The impact has been that we've been dealing with a lot more educational phone calls, trying to get people to understand, because they also have misconceptions about what the legislation can do. They think that anybody can swoop down and take pit bulls off the street, which of course you can't.

The other impact has been more direct in the shelter. When they come to the shelter, often they're not claimed, which I suspected would happen and have voiced the opinion that people would let their dogs go and not get them back because they couldn't cope with the harassment from their neighbours. If it's a prohibited pit bull, we only have one option, and that is euthanasia. That means we are absorbing the cost of euthanasia and cremation, along with the fact that at some point I'm probably going to have to get some specialists in to deal with the fact that my staff have to euthanize perfectly

nice and healthy animals. That has a very large emotional impact on them. It's hard to measure in dollars, but at some point it will hit us in a dollar measurement.

The second question, about the Grant Thornton review, is more difficult for me to answer, because I didn't memorize the report, which is the honest answer. It did recommend very strongly that an overall strategic plan be put together and put forward. I think that would be an excellent idea. I've been working in this field for 20 years and can say that we desperately need something like that: a strategic plan that would move us forward, along with some funding to implement the recommendations in the plan.

The Vice-Chair: Mr. Prue from the NDP.

Mr. Prue: We've had similar presentations; this is the third one. We had a couple in northern Ontario very similar to this as well. The problem seems to be literally widespread. In northern Ontario, if the SPCA walks away, there just won't be anybody, because the municipalities won't do it.

Do you think this is a program that is better devolved on or better managed by the province?

Ms. Brown: That's an interesting question. As I said previously, I've been in this field a long time, so I know that idea has come up off and on over the years. I think the province has never been that keen on that idea, because they know it's a big job. In many regards, we're lucky that we have many people who are committed and experienced in the field already, so they probably don't want to have to take that up. It would involve extensive training and basic start-up costs to get any new organization or ministry going. It would be very complex and very long-term. It couldn't happen tomorrow. They'd take years to get it together.

Mr. Prue: The reason I ask that question is that the province, of course, was very anxious to get pit bull legislation and other legislation around animals, and yet it simply doesn't fund and let municipalities or the SPCA or somebody else do it. Having now heard three presentations on this, it seems to me that you're requesting the intervention. Why not just go the whole way and say that this is something they should be doing?

Ms. Brown: I guess, if they would like to do that, then they can come and sit in my office and do the job. I don't know the answer to that question. I can't speak for the government. I don't know about their thinking on it.

The Vice-Chair: The time is up, Ms. Brown. Thank you for the presentation.

1100

WINE COUNCIL OF ONTARIO

The Vice-Chair: The next presenter is Linda Franklin, president of the Wine Council of Ontario. You have 10 minutes for your presentation. Please state your name for the purposes of Hansard.

Ms. Linda Franklin: My name is Linda Franklin. I'm president of the wine council. Thank you for inviting me here today.

If there's one message that I think we would like to leave with you from our industry today, it's that the ongoing drive to increase government revenues through the LCBO is having a profound effect on our industry. It's frankly our belief that the government isn't doing this deliberately, but they haven't understood the magnitude of the cost to our industry from changes at the liquor board because none of those changes have been subject to rigorous government policy analysis over the years.

The result is that our industry is finding itself in a place where it's no longer affordable to sell our premium wines, our VQA wines, through the LCBO in spite of the fact that it's our most important sales channel. If that doesn't change, frankly, our industry is on the verge of losing all the momentum we've built over the past 15 years with all three parties in government and with a lot of support through the years from government. There's no question in my mind that wineries will be closing their doors. We don't think this is something any government wants.

The industry has changed pretty dramatically over the last 15 years, as many of you will know. In 1990 there were 20 wineries; today there are over 90 of them. But the vast majority of wineries today are small: They make less than 25,000 cases of wine a year, which was certainly not the case even a decade ago. Over the same period we, in the industry, have made huge strides in quality, with the development of the VQA, and in the tourism opportunities we've provided. A recent KPMG study, which we've updated this year, says that when you sell a bottle of Ontario wine, it adds \$4.29 to the provincial economy; when you sell an import wine, it adds 56 cents. We're reshaping economies in Niagara, in Prince Edward county, in southwestern Ontario, and perhaps most importantly, in places like Niagara Falls we're actually adding manufacturing jobs at a time when our province is losing them.

Over the past few years, of course, we've faced some pretty tremendous challenges: ladybugs in 2001 and failures in our crops in 2003 and 2005, and new wineries, as they get established, are facing a myriad of government rules and regulations that are fairly new and are creating a much higher cost of doing business for them.

The first thing I'd like to just touch on is the tax structure at the LCBO. The first figure that you'll see on page 2 shows you the effective markup rate on wine at the liquor board from 1988 to 2005. Basically, what that's showing you is that our wineries have seen their payments reduced by over 50 cents a bottle for a \$10 bottle of wine. That's a 12% reduction over the past 10 years. So we've been losing money over the decade instead of gaining revenue. In 1988, producers got \$3.19 more per bottle of wine. You can imagine what kind of impact that has on our marketplace.

The reality is that a good chunk of that was because of the requirements of free trade agreements to bring markups in line with foreign wines. But the other hard reality is that we in the industry have had to swallow most of those increases. We haven't been able to pass

them on to consumers because our foreign competitors aren't, and so our industry margins and profitability have declined very significantly over the past decade.

On page 3 of our presentation, I've shown you what that means for a small Ontario winery. If you sell 20,000 cases of wine and you choose to sell every bottle of that wine through the liquor board, assuming you could, at the end of a fiscal year you would be over \$600,000 in debt because the cost of doing business in the liquor board is so high that unless you have very large economies of scale you can't make a living doing it. It's why so many of our wineries sell most of their best wines from their own doorstep, where they have a much better markup rate. They pay 2% when they sell wine through their own stores and 58% plus a \$1.50 flat tax when they sell it through the liquor board. There's no comparison. But as our wineries grow, they cannot sell all their product from their own winery stores and the only way to expand is to get into the liquor board. The consequence is that, frankly, in the last few years since I've been head of the wine council, very few wineries have been growing at all. Outside of Cave Spring Cellars, Pelee Island and Henry of Pelham, probably no wineries have grown very much, and the reason is that they can't get through that barrier; they can't afford to supply wine to the liquor board.

In comparison, other jurisdictions have much lower tax rates. You'll see that in the chart on page 4 of our presentation. That means that when our competitors in places like California, New Zealand, New York and Oregon sell wine in their own states, they pocket a lot more profit, and that gives them more money to invest in export activities and bringing their wine to the liquor board, and in research and quality development: all things that our industry today is not investing in because we just have no money.

As you can see, the Canadian provinces are, by far and away, the highest taxers of alcohol in North America and other marketplaces. In BC, where we have an equally difficult tax problem, solutions have been put on the table for the domestic wine industry.

Adding to the high cost of our tax structure—as I say, some of this isn't anybody's fault, but the one piece that is within the government's discretion is charges for merchandising and marketing at the liquor board. The same marketing opportunities from 2005 will cost us 13% more just a year later, in 2006.

Figure 4 in our presentation, which is on page 5, shows that since 1994—just about a decade—LCBO revenue from in-store promotions, the cost to suppliers for marketing their products, has risen more than 700%. They've added stores, but they've only doubled the number of stores, and have increased the cost to suppliers by 700%. I think you can see why this is making it difficult for wineries to compete.

For the past several years, we've worked in partnership with the liquor board to find ways to keep premium wines in this channel and to showcase smaller wineries, and the government has been intimately involved in trying to help address that. But the fact of the

matter is that the liquor board is becoming more and more a superhighway for very big volume brands from the world's largest suppliers. In spite of all the tinkering we're doing, there isn't a way in for our smaller wines. In fact, for anybody producing high-end VQA wines, this channel is becoming more and more problematic.

You would wonder, if we can't afford this, how these costs at the liquor board are sustainable. Well, they're sustainable because global wine suppliers can pay them. They're highly subsidized in their own marketplaces; they have tons and tons of dollars in their pockets from export subsidies; they've got money in their pockets from sales in their own markets, where their taxation rate is much lower; and frankly, the liquor board is only dealing with a very small subset of the world's wineries. They're not dealing with tiny little wineries in France or Australia or New Zealand; they're dealing with the world's biggest global players, and then all the Ontario wine industries.

All these regions also have huge gluts of wine right now, and they are desperate to unload it. Our market is always one of the top three export destinations for the rest of the world. So when you see promotions for French wines and Italian wines, and the new Australian wine promotion that's coming up this year, those are government subsidy dollars that are going into those promotions, and that's what the Ontario government is taking out of the liquor board to increase its revenues. It's all very understandable, but it's pricing our folks out of the marketplace.

At the same time, we're facing increased pressure on quotas. You have to produce more and more wine to get up to the threshold where the liquor board will keep you in the board once you've got a listing. Frankly, as bigger and bigger global players produce bigger and bigger brands, it forces our smaller VQA wines out of the liquor board. It's why so often you walk into a liquor store and don't see much VQA, even though when you come down to wine country we have fabulous wines and lots of them. They're just not available.

What the solutions are is the last piece of it. We understand that the government needs revenue; there's no question about it. We're happy to contribute, but right now over half the retail value of our wine is being contributed by way of taxes in some shape or form. We frankly don't think it's healthy to have an industry being taxed out of its own marketplace, but that's exactly where we are right now.

1110

Just as a last point, again, going to the issue of government policy-making, you have a new piece of legislation that's been introduced, the City of Toronto Act, that among other things would give the city of Toronto the power to tax the wine industry even more. I'm wondering if anybody in government has taken a hard look at what the impact of that policy is going to be on Ontario wines. Somehow I doubt it.

We have a couple of suggestions for the committee to look at. The government of British Columbia has faced this challenge head-on. They're working with the wine

industry there to turn things around and have had very dramatic results. Small wineries in the last few years are more profitable; investments are being made in research, quality development and infrastructure—things that we, as an industry, are not doing nearly as much as we need to—and their market share is growing in BC. The domestic industry in British Columbia owns 50% of the market.

We need the Ontario government to work with us on the same kinds of solutions that will allow our industry to grow profitably and continue to add value to the economy. Most importantly, we need the government to carefully consider the impact on the domestic wine industry of any new proposals for increasing revenue through taxes and charges on alcohol.

We think too that the government needs to add economic value to its measures of success for the LCBO. We don't blame the LCBO for this situation, frankly. If you're only being told by your political masters, "Increase revenue. Increase revenue," it's awfully hard to make a decision that you're going to really focus on supporting the domestic wine industry. You're going to focus on moving big-volume brands through the system because that's what the government has told you to do. I think it's short-sighted on the part of government when you look at the economic importance of our sector, at least in areas where there are wine regions. The LCBO, frankly, just needs to have as much incentive to sell Ontario wines as they have to sell foreign wines. Right now, they don't have that. It's not the message that government is sending.

Finally, through this budget process, we need the Ministry of Finance to work with the Ontario wine industry to find ways to level the playing field so that we can compete fairly with subsidized foreign competition. We're not asking to be subsidized the way foreign wine is, but we are asking for a fair shot at our own marketplace, particularly for our high-end premium producers. We honestly do think—and there's an example in BC that shows it's possible—that with political will, we can find solutions that will support the domestic industry and still protect government revenues, because we get that that's important too.

With that, I'll finish and leave it open to you folks for questions.

The Chair: Thank you. The first question will go to the official opposition.

Mr. Hudak: Ms. Franklin, thank you very much. An excellent presentation, as always. I think it's always very important to get across the message to decision-makers at Queen's Park about the impacts that the LCBO's policies increasingly have on our small and medium craft producers particularly.

Two quick questions for you, and if I have time, some others. The grape growers presented on a replant strategy this morning, and I'm curious about the wine council's position on that. Secondly, with respect to the specifics of your presentation, on the taxation side, did you have any

specific recommendations on tax changes? That would be to the benefit of the committee.

Ms. Franklin: On the replant program, the wine council is entirely supportive of that proposal by the grape growers. Both sides of our industry have suffered in the last few years over crop failures. It's nobody's fault—it's just weather; it's agriculture—but it has really set our industry back. The replant program would help us get back on our feet at the growing side again, and frankly help us take another look—we have a conference coming up in June—at how we restructure ourselves. If this climate variability is going to be the new reality, what grape variety should we be planting that we can grow consistently well in winter? I think the replant program also partly goes to those strategies, so we're very supportive of it.

In terms of specific tax ideas, we do have a few. I think they're going to take some work and some number-crunching on the part of finance, but I do think there are ways to change the tax structure at the liquor board and trade-legal ways that would allow us to provide actually more money into government coffers and yet give some money back to local domestic producers.

Mr. Hudak: Is there still time?

The Chair: Yes, a minute.

Mr. Hudak: You mentioned some of the successes BC is having. With respect to British Columbia and their approach, are there any particular model programs that BC uses with its alcohol retailer that we could—

Ms. Franklin: Sure. The one thing they do that of course we don't in Ontario is that they have different opportunities for access to the marketplace for smaller producers. If you can't make a go of it in the liquor board, you've got another option: You can go and talk to private retailers, and if you can convince them, you're in their system. So there's an option which we don't have in Ontario right now.

I think the second thing they do is that long ago they realized they had to invest in research and quality enhancements in their industry. They have specific programs dedicated to VQA producers to enhance their quality and their research, and to help them get into the liquor board and get a start. It's making a big difference. If you went to a liquor store in BC right now, you would see a much better range of products in BC. And, of course, they have VQA wine stores in British Columbia.

The Chair: We'll move now to the NDP.

Mr. Prue: Two things. The first one is the boutique wine stores. We've had some debates in the Legislature, and it has been suggested that this may contravene NAFTA agreements and the like. I find that to be kind of preposterous. Is this the argument you're getting, or is there some way around it? It would seem to me that that would solve most of this.

Ms. Franklin: As you can imagine, this is an incredibly frustrating argument for our industry. You watch the flood of import wines into the marketplace; you can document how much they're subsidized. The European wines are subsidized more than \$6 billion a year. We

have folks who own wineries in Portugal who tell us that they can make wine in Portugal and deliver it to the LCBO cheaper than they can make it in Niagara because of all these subsidies. We have folks who buy wineries in Europe and don't pay a dollar of their own money towards them. The subsidy system is enormous. So when we look at these arguments from Ontario, it concerns us.

Now, having said that, I think they're cautious for a reason. I've never had the civil service more committed to a concept than they are to trade legality because of their fear that if we were challenged on trade issues, we would lose. I think it's something we absolutely have to bear in mind as we go forward. I honestly believe, as well, that if we step back and start to look at some creative solutions, there are creative solutions to get around the trade issues, to keep us compliant and yet to provide some benefit to our own industry. I think our challenge is that, traditionally, governments in Canada and across the provinces want to be holier than the Pope when it comes to trade agreements, and none of our partners are.

Mr. Prue: The second question I have is, every month at Vintages outlets and the LCBO, they bring in wine that isn't generally listed. They bring in small amounts from a huge variety of countries. Is there any reason why we couldn't have VQA wines do the same thing, even if they aren't in huge volumes, where just once a month, wineries could put in 500 cases, 1,000 cases, whatever, on the general Vintages sale?

Ms. Franklin: We don't think so. In fact, Vintages would be one very good way of starting to attack this problem for small wineries. Our challenge is, frankly, you could put a terrific Vintages program in place for our small producers, but they wouldn't be able to afford to supply it with the tax structure. We need to, I think, tackle the access question and the margin question together or no program is going to succeed because the wine won't be available. But assuming we could deal with the margin question, then I think the answer to your question is yes. We've suggested to Vintages before that they have sales targets for Ontario wines that they have to meet, which they don't today. We have suggested that every small winery in Ontario should have access to one Vintages listing. The brewers have that in the BRI; we don't. Now, that's not to say that if you're making lousy wine, or you don't back it up, or you have no business plan, or you don't support it with sales staff, you should just stay there indefinitely, but we think you should at least have a shot. Right now, that's not possible for most folks.

The Chair: Thank you. Now we'll move to the government.

Mrs. Mitchell: Thank you very much for coming and making a presentation today. I just have a couple of questions to follow up on what Tim said. What I'm trying to grapple with is, we heard about the replant program, and I'm also hearing concerns from the wine council. How is the marketing strategy going to be directly linked with the replant program?

Ms. Franklin: The conference we have coming up in June—I think at the last crop failure discussion that our

industry had broadly, we found out we were going to have a crop failure about three days before the liquor board came to present to our industry what their requirements or interest would be in the next year. Our industry is sitting there listening to the liquor board telling us that we need Gewürztraminer and Merlot and Sauvignon Blanc and Syrah, all varieties that, frankly, were dead as doornails thanks to the crop failure. I think one of our challenges—we have two challenges, really. One is to figure out, as New Zealand clearly has, what we can grow well consistently. Well, we can do a pretty darned good job on Chardonnay and Riesling, probably Sauvignon Blanc. We can do a great job on Cabernet Franc and Baco Noir and Sauvignon Blanc, not so good in some other areas. I think at this conference, one of our industry's goals is to bring in folks who deal with winter hardiness, consumer marketplaces, and start to talk to them about how we restructure our industry to focus on the varieties we can do well.

The second part of our challenge is, once we know that, how do we persuade the liquor board to make room for them? Frankly, I think that's an exercise in saying that if Ontario are fabulous Chardonnay producers, maybe some Australian and French Chardonnays come off the market from the LCBO to make room for more Ontario ones, because you know what? The Australians can own Syrah; we don't do it. The Californians can own Zinfandel. Maybe the Ontario industry should, in its marketplace, own some of the varieties it makes brilliantly.

If we could fix those two parts of the equation, I think you'd find us five years from now in a situation where the growers could grow grapes that they can grow profitably, where they're not growing in bulk for our blended wines, which they can't afford to do, and our VQA premium side is growing to the extent that we can plant more and more vineyards in high-end varieties and everybody will make a living.

Mrs. Mitchell: Just a quick question: Have you seen a difference with bring-your-own-wine? Has it made a difference?

Ms. Franklin: No, not at all. I think it's an interesting idea, frankly. I think anything that opens up the marketplace and makes it a little more consumer-friendly is a good idea. I don't know that Ontario is gaining any more than any other part of the industry, imported or domestic, but I think that, as I say, it's consumer-friendly, so that makes sense to us.

Mrs. Mitchell: I felt that there was a lot of growth for Ontario wines in that program.

Ms. Franklin: Not especially, so far.

Mrs. Mitchell: No, there could be. I'm saying, the potential is there.

Ms. Franklin: Potentially, I agree with you, if consumers get to know more about it and more restaurants. I think right now it's problematic. I don't know that I would bring a bottle of wine into a restaurant unless I knew for sure they'd open it for me. So I think the more restaurants that get involved in that—we have a bigger

share of the marketplace at the liquor board than we have in restaurants. So intuitively it makes sense that if consumers brought their own, they'd bring more Ontario.

The Chair: Thank you for your presentation before the committee today.

For the committee, our 11:20 slot remains vacant.

It has been brought to my attention that we have agreement to meet on Thursday morning at 8:40 rather than 9 o'clock.

This room will be locked during the noon hour. I understand that some persons haven't checked out yet, so we will recess until 1140 and you could do that during that time.

The committee recessed from 1122 to 1142.

ONTARIO ASSOCIATION OF RESIDENCES TREATING YOUTH

The Chair: Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes for questioning. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Richard Solomon: Richard Solomon. I'm the executive director of the Ontario Association of Residences Treating Youth.

Ms. Andrea Rifkin: I'm Andrea Rifkin. I'm also representing the Ontario Association of Residences Treating Youth.

Mr. Gord Moore: I'm Gord Moore. I'm presently the president of the Ontario Association of Residences Treating Youth.

Mr. Solomon: Good morning, Mr. Chairman and committee members. I am the executive director of the Ontario Association of Residences Treating Youth, known by the acronym OARTY.

OARTY members operate well over 50% of the treatment foster care and treatment group home facilities for children and youth in Ontario. The association consists of approximately 100 agencies. We employ 3,200 staff, most of whom are child and youth care workers. We care for close to 4,000 people in any given year.

We provide services to vulnerable children and youth and, in some cases, adults who grew up in our care and who have remained in our homes. Our programs are licensed and sanctioned by the government. These children receive these services as a result of the legislated and regulated obligations of the province of Ontario. The children we serve are victims of abuse, emotionally and mentally disturbed, autistic, medically fragile, and face many developmental challenges.

All of our referrals come to us after initially being assessed by another program as requiring residential services. In many cases, our residents have some type of involvement with children's aid societies. Other organizations which also provide services include agencies that are part of Children's Mental Health Ontario and other community and family service agencies.

Since we are licensed by the government to provide services to children, we should be considered equals

when it comes to placing an intense focus on delivering care to children. OARTY members' programs are a fundamental component of a proper child welfare service.

Before I go into more detail, I'd like to ask Gord and Andrea to say a little bit about their agencies and the children they serve.

Ms. Rifkin: Maybe I'll go first. I operate four group homes and a day program for children, youth and now adults with autism. We're in the Toronto area, just north of Toronto. The kids come into care very vulnerable. These are kids where the community supports have been exhausted and residential care becomes not a last resort but certainly a helpful resource to produce some more independent individuals for adulthood and later life.

We've been in operation since 1985. Some of our kids have actually grown up there and have been there for 20 years. That of course is perplexing and confusing for the system, but we're happy to make the difference in their lives. I didn't want to go into too much detail because we have a lot to say, so I'll pass that along to Gord now.

Mr. Moore: I operate a residential service named Holloway House. My wife and I operate this in our family home. We care for, presently, nine adults and children. Some of our kids have grown up with us and been with us for a very long time. We've been in existence since around 1990. Our children all require severe medical attention and have physically and developmentally handicapping conditions. We also run a day program for adults who have grown up with us. Our three natural kids help us out and take care of it all along with us.

Mr. Solomon: Our residential responsibilities include providing treatment for children's mental health and their physical, emotional, developmental, social and medical care needs as a part of their daily living. We believe there is a need for more investment in these critical services for children. We also know the challenges in providing enough funding to serve these children properly.

As you may know, residential services are currently being provided to these children in two ways: by agencies, such as our members, who provide services on a per diem or fee-for-service basis. These services are paid for through assessment and placement agencies, most often children's aid societies, on a bed-by-bed basis when they need them. As you know, the province funds the CASS and indeed all of the placement groups. Our members' rates are set by the Ministries of Children and Youth Services and Community and Social Services when the homes open. Many of these rates were set years ago with limited ability to have rates increased to reflect the costs of treatment. Our agencies receive payment only when beds are occupied. We refer to our type of agencies as residential care and treatment agencies.

The other types of agencies are transfer payment agencies. Their funding is provided yearly by the government directly to each agency in the form of block funding to cover salaries, operating and capital costs. These agencies receive this constant level of funding for the year,

regardless of whether their beds are occupied. Unlike the per diem system, there is no direct link between the proportion of this global funding designated to providing residential care and the actual level and type of service being provided to each particular client throughout the year. Both types of agencies are licensed in the same manner by the Ministry of Community and Social Services.

As a major partner with the Ministry of Children and Youth Services in delivering services, residential care and treatment agencies have traditionally provided services at a more cost-effective level than transfer payment agencies. Additionally, our members have demonstrated an ongoing commitment to delivering services through new capital investments financed without government assistance.

Research has shown that the average rates of residential care and treatment agencies for the currently licensed beds are in the range of \$160 to \$230 per day, from which agencies must also cover capital expenditures. By contrast, new beds and those provided by transfer payment agencies are approximately \$220 to \$300 per day. Transfer payment agencies also receive separate, additional funding for capital cost requirements.

Our agencies are only paid when their beds are occupied, and our budgets are based on a 95% occupancy rate. Transfer payment agencies are paid whether or not their beds are occupied and are based on a 90% occupancy rate. This leads to a different operating mindset. Our agencies seek to ensure their beds are full, while transfer payment agencies can use vacancies to manage cost pressures. In the past, this has led to higher occupancy rates amongst our members.

As you can see, there is a significant financial difference in rates between residential care providers and transfer payment agencies, even though the children our agencies serve often have more difficult challenges.

Issues that have been addressed by the government for transfer payment agencies have not been addressed to the same level for the residential care and treatment agencies. These challenges include: rising costs in delivering residential care and treatment services to children; ensuring that wages for our child and youth workers remain competitive—regular increases in wages at transfer payment agencies funded by the government have resulted in the departure of qualified staff from our facilities as well as high staff turnover; the rate review process used by the ministry to set funding levels for all residential care and treatment presently does not allow agencies to include staff salaries or required building retrofitting; and also pay equity liabilities.

1150

In the 2004 budget, the government made an important investment of \$25 million, growing to \$38 million this past year. However, the children we care for were left off the list when the government announced this funding. The transfer payment agencies which the government funds directly received an increase of 3%, but our agencies that provide treatment on a fee-for-

service basis did not. This seems unfair when both types of agencies are assisting children under the protection of children's aid societies. All of our funding is derived through our per diems, which are flowed through the CAS or other placement agencies which are funded by the government. We believe and hope you agree that children in care should have access to similar levels of support and treatment regardless of who provides the services.

We understand the ongoing challenge of continuing to deliver high-quality service when costs are rising and more children are coming into care. We all have a role to play. All service providers must deliver service on the most cost-effective, transparent and accountable basis, and the government should provide a fair level of funding.

We understand the government must weigh various priorities in setting the budget for 2006-07. Our members make such decisions on a regular basis in operating their agencies. We know the government must ask itself how it can reduce duplication and waste, improve service and improve transparency and accountability while managing the spending needs, and we believe there are two things that you can do.

First, there is no need for the government to have two systems. We believe the per diem system is a much more transparent and accountable system. Payment is for service delivered, and the statistics show that it is more cost-effective and more of the existing beds are used. We've recommended this change to the government for a number of years and we've recently submitted a new model to the Ministry of Children and Youth Services in response to the ministry's residential services review. It incorporates this fundamental change and other changes to improve the way dollars are spent and services delivered to children. We've made six recommendations, which are attached as a summary to the copy of these remarks.

The Chair: You have about half a minute.

Mr. Solomon: I'll jump forward to the final page.

There is now a window of opportunity to make these changes. In the upcoming budget, we recommend that you work with the Ministry of Children and Youth Services to move to the per diem system on a fee-for-service basis, with standard rates for each service delivered.

Secondly, in this budget, we ask that you address the immediate challenges in delivering services to children by providing the Ministry of Children and Youth Services with money to provide per diem agencies with the same 3% increase in funding that was given to the government's direct transfer agencies in the 2004 budget. This would require an investment of approximately \$7 million. This will help close the growing gap between the two sides of the system and prevent our children from being left behind by a decision to only support one side of the sector. Our services are just as much a critical component in helping these children become a better part of our society.

We would be pleased to answer any questions that you may have, and we thank you for the opportunity to

present to you today and for your concern for the children, the parents and the professionals working within this sector.

The Chair: Thank you. We'll begin this round of questioning with the NDP.

Mr. Prue: I just want to get my head around the difference between the transfer payment agencies and your agencies. Are your agencies for-profit? Are they privately owned, for-profit agencies? Is that the difference between the two?

Ms. Rifkin: Maybe I can speak a little bit to that. There are a number of our member agencies. What makes us common is our funding relationship with the government. But in terms of how we operate or how we corporately structured, in the beginning, when there were no capital costs or things forwarded by the government, a lot of the agencies just incorporated as they saw fit, which was as a for-profit corporation. Many have moved to a non-profit agency status in terms of a corporate structure. They're private but they are non-profit. It isn't all of our agencies, but certainly many have moved towards that in keeping with the mindset of the kind of objectives they have.

Mr. Prue: And the transfer agencies are all non-profit?

Ms. Rifkin: They're all non-profit. Some are private and some are in a more direct funded relationship with the government, but they are all non-profit.

Mr. Prue: From your arguments, they appear to pay their staff higher rates.

Ms. Rifkin: I know that to be a fact.

Mr. Prue: Why is that?

Ms. Rifkin: They have been afforded some extra dollars along the way. We have certainly taken cuts when they have been imposed, but an increase such as the one that was referred to, this 3%—for the relationship reasons of our funding, we were not afforded that. So we know that agencies, for example, that placed children in our care were actually given the 3%, but we weren't. That wasn't passed along to us.

Mr. Prue: Are most of the employees in the transfer payment agencies unionized?

Ms. Rifkin: We've seen both in both. There are some of our members in the per diem agencies that are unionized, and also in transfer payment there can be both.

The Chair: We'll move to the government.

Mr. Wilkinson: Thank you for coming in this morning. Since we actually have to send these things off to the Minister of Finance, on your last page you're saying that it would save us money to go to the per diem basis. You didn't quantify that amount, but you did say that if you went to parity and you got the same budgetary increases as the other side of the fence, it would cost some \$7 million. Can you provide some clarity on the number on the savings side? Do you have any idea of what that is?

Ms. Rifkin: I had sort of anticipated that question and tried to do an estimate based on what our average per diem is on our 3,200 beds and if you took that in the TP sector. It's an expensive system to operate on either side,

but if we were all operating on a per diem system, the saving is between \$250 million and \$300 million. The \$7 million is just to bring us to some equitable increase through the budget process of last year and two years ago, but the savings are phenomenal.

Mr. Wilkinson: Just as a follow-up question, the standards on both sides are required to be the same?

Ms. Rifkin: Yes. We are all licensed in the same way. I think on the transfer payment side, children and youth services have what's called a service agreement; ours is called a budget. They're both analyzed line by line the same way. Licensing standards are the same. We've worked with the Ministry of Children and Youth Services and the Ministry of Community and Social Services to actually improve upon those standards, with good intentions, for the best quality of service. But they are the same on either side.

The Chair: Now we'll move to the official opposition.

Mr. Barrett: Again looking at the numbers and your requirement for the immediate investment of \$7 million, the 3% increase did not apply to your group of homes. In recommending one system, a per diem system, as I guess all of your homes operate on now, you've just indicated—and I was going to ask the same question—a \$250-million to \$300-million saving. It seems to me that a young person or a child in the one system is actually, per child, receiving less money than a child or youth in the other system. I know it's in here somewhere, but how large is your system compared to the other system? How many do we have in each system?

Ms. Rifkin: We have some numbers to believe that we're representing about half. The per diem system serves about half the number of children in residential care.

Mr. Barrett: So it's about 50-50, then?

Ms. Rifkin: Right.

Mr. Barrett: Do you have any idea roughly what that works out to per child or youth?

Ms. Rifkin: We've had some numbers. There is quite a strong initiative at the Ministry of Children and Youth Services right now to do this residential care review, and they are studying exactly what the snapshot is in Ontario.

Our best guess is, through our numbers from our per diems—our average per diems are ranged such that we could throw out a number of \$200 a day, and if you take the service agreements and their overall budgets of block-funded transfer payment, I've heard much higher numbers, but certainly the ones we've seen on paper are around \$300 a day. But I've heard up until Friday that one was \$490 a day.

Mr. Barrett: Your figures are certainly compelling.

Mr. Hudak: I have a question on the points on page 4 with respect to a levels-of-care funding model. Is that similar to what we do with long-term-care homes on the acuity of residents, or how would that work?

Ms. Rifkin: That's right. Food costs, staff costs, everything can be really—we do this as part of our budgeting process, line by line, and 67% of our budgets

are for front-line staff and treatment implementation. So it's quite easy to ascertain from a child—taking away a little bit from “A child is a child is a child is a child,” even within our system, some children need extra support just to brush their teeth. So if we analyze that, the food part and the housing and those kinds of costs are fairly easy to go on a level by level, and similarly, we think we can do the same with staff.

The Chair: Thank you for your presentation.

For the committee, lunch will be in the same restaurant as last evening. We're recessed until 1 o'clock.

The committee recessed from 1203 to 1303.

NIAGARA REGIONAL POLICE SERVICE

The Chair: The standing committee on finance and economic affairs will now come to order. I'll ask our first presenter of the afternoon, the Niagara Regional Police Service, to come forward, please. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Ms. Wendy Southall: Thank you. I am Chief Wendy Southall, chief of the Niagara Regional Police Service. I'm pleased to have here with me today the vice-chair of the police services board, Mr. Doug Martin. Mr. Martin is also a regional councillor. He is chair of the budget committee for the region and is chair of our finance committee for the police services board as well.

The Chair: He was here before.

Ms. Southall: Yes, he's been here already.

Recognizing the brevity—and I'll attempt to stick to your 10-minute timetable—I really have three issues that I'd like to speak about to the committee today. I will provide you with a brief overview of the three areas that I wish to discuss. I do not have an overhead or a handout today, but I learned of this very late last week. I would like to get a package together to follow up. If I could have the contact for an administrative person, I will certainly send a package forward.

For the most part, some of these issues are global with respect to policing, which is the first one I am going to address. The second two are Niagara-specific. As well as being the chief, I am also the vice-chair of a new committee called the criminal justice committee, which has just been set up by the Ontario Association of Chiefs of Police. The purpose of the committee is that, for a number of years now, the chiefs have been dealing provincially with the Solicitor General and the Attorney General to attempt to look at a number of issues with respect to the justice system and the impact it has had on policing. We've not really proceeded along the path, and as a result of that, we set the committee this year. We announced the appointment of myself and the chair, Tom Kaye, from the Owen Sound police. We wanted to go forward in a positive perspective and ensure that we try, together, to come up with some goals to improve the system.

Of the issues that we discuss with respect to justice, one is disclosure: the responsibility for disclosure and any potential changes. Obviously, there is both a huge cost and a resource issue with respect to disclosure in policing. I can tell you as well that we've always had a concern. Back in the mid-1990s, the province downloaded court security to the police services across Ontario. Although it was not contained as one of the core services we deliver, the issue is that we were legislated to do it by way of the Police Services Act. At that time, there was minimal funding for police services across the province to initiate court security. I believe ours was less than \$500,000. I can tell you that to date, our court security costs on an annual basis have risen well in excess of \$3 million and \$3.5 million.

We've continued to take the downloading; however, it was not as originally proposed, because of the criminal justice and the authority and responsibility we have. As well, we're being asked locally, here in Niagara, to now provide what is known as perimeter security; we refer to it as wanding as well. All of these additional requirements with respect to court security in Niagara and across the province are being taxed to the local taxpayers. When we attempt to bring it forward and talk about it, we basically hear that it is something, obviously, that the province would not take back. But I believe that, as a group, from the chiefs' perspective and me here in Niagara, we need to provide facts. We'll be calculating what our costs have been and how they're growing and where we see areas, with respect to bail reform, and obviously more from the federal level as well, all of the issues of sentencing.

Very generally, we are going now into 2006 to meet, of a committee, directed by the Attorney General and Solicitor General, and any support with respect to the downloading to date, I can tell you that what we are basically saying is that we want to see consultation. We, as the police, are one of the main partners in the criminal justice committee. We believe that consultation is that ourselves and the representatives of the province together decide what the issues are, prioritize those issues and have solutions at the end of the path, as opposed to being told solutions, finding out at times that some of those solutions as well will be a significant cost incurred by police. So we ask the indulgence of the members here today to recognize that there will be a lot of discussion on the criminal justice committee, that we certainly do want to consult and be part of that. We are a stakeholder.

To summarize that, it is recognized that there will be resourcing required to look at, to review, to study and to analyze the issues that we have to date. I believe any financial support with respect to resourcing those types of committees would be much appreciated as well.

Do you want me to move on, or are there any questions on the criminal justice—

The Chair: The questions will come at the end.

Ms. Southall: Okay. Thank you.

The second issue, more from the Niagara perspective and consideration for support from the province: We here in Niagara, legislatively through the Police Services Act,

are to provide waterway safety. Waterway safety comes under a very distinct definition, and that's just with respect to impaired drivers on boats, ensuring that there's safety on our waterways. Here in Niagara as well, as you will know, we are tasked with one of the largest square miles with respect to water, tasked far more than most other municipalities. I believe not only are we tasked with having more waterways here in Niagara, but we are provincially legislated to do waterway safety, recognizing there are a number of other issues with respect to terrorism, border security and integrity, and marine intelligence that could occur on our waterway.

I think from a reality perspective, if something happens, the Niagara regional police are housed here, and we will be the first responders. I believe we are tasked with some additional responsibility, aside from what's legislated in the act. We meet frequently with the federal government. We are meeting with the deputy ministers from the Solicitor General again next week to talk about the issues. Now, as well as the waterways at the border, we are first responders, for example, if there are bomb calls or any issues at the border. So I believe, being in this community, not only having the borders but having the waterways on borders as well, poses a significant issue. I believe, to date, there isn't a lot of proactivity with respect to those responsibilities. I don't believe overall it is the responsibility of Niagara, but bottom line, if something were to occur, we would most definitely be the first responder.

1310

I would like to see some consideration for municipalities who (1) have borders and (2) have a significant amount of waterways. Again, here we are struck with having to go to our municipality on an annual basis in order to ensure that we have adequate and effective policing. We are compared by per capita costs. We're compared by our percentage of increases, from the budget perspective. However, we have additional things to police, which are anomalies that other regional police services do not have.

The last issue I would like to briefly speak to you about, which was obviously in the forefront of the federal election, is with respect to guns and gangs. Obviously, we're all aware of the difficulties, and the very sad event that happened in Toronto on Christmas Eve. From the perspective of myself personally and the Ontario Association of Chiefs of Police, we're very pleased to see that there was a significant amount of funding to Toronto, and as well some additional funding for the OPP.

I want to bring all of that back into the Niagara perspective to say that in 2005 here in Niagara, we had the highest number of homicides since the inception of our regional government. We've had 14 homicides in the last year. Obviously, our homicide per capita is quite high. A huge portion of those included firearms and a portion of them as well included gangs, and not always gangs that are centred here in Niagara. They are gangs that are multi-jurisdictional. Again, although we recognize the need for the funding in Toronto, I believe

services such as Niagara are experiencing the exact same issue. My question is whether or not there will be a consideration for funding, in particular, for other GTA services that are experiencing these types of rates, with respect to homicides and guns and gangs, to assist us as well; so just consideration as well that when we're dealing with those issues, they are—again, happy for Toronto—not isolated there. I believe, from the Niagara perspective, being a border community, we could be assisted here from a proactivity perspective in dealing with the border and those types of things.

Those are my three issues. I'd be pleased to answer any questions.

The Chair: Thank you. Perhaps at the end of questioning, if you want to speak with the clerk, he'll provide you with an address to give more materials, and each member of the committee will receive those.

We'll begin this round of questioning with the government.

Mr. Kim Craiton (Niagara Falls): Chief, it's always a pleasure to see you. Regional Councillor Martin, it's a pleasure to see you as well.

Just a couple of comments, and I do have a couple of questions: I'm particularly pleased that you had a chance to share with the committee the uniqueness of our community. Everyone knows we're a border community—but the waterways, in particular, which is something I've certainly mentioned at Queen's Park, and the services that you provide in terms of water safety. I watched the federal election, of course, with interest. It's over and done, but I'm particularly pleased. I'm looking forward now, with the new government—they indicated they were in strong support of assisting the border communities and making them safer—to seeing some financial resources coming out of them to our community as well.

You mentioned a couple of things, so I do have two questions. I know Toronto was assisted provincially with some funding because of the serious situations that were occurring there. From your perspective, what type of funding would you be looking for that you think might be of assistance for the challenges that you face?

Ms. Southall: I believe, not even just Niagara specific, but some funding, for example—again, these types of guns-and-gang issues are cross-jurisdictional. I have met and discussed with chiefs in our border communities—for example, Hamilton and Burlington, both being in the GTA—that there should be some consideration for some type of funding to support us in a cross-jurisdictional joint services operation, outside the Toronto area and more in the GTA area, to deal with guns and gangs.

Mr. Craiton: My final question deals with the courts and security costs. I'm very familiar with that, particularly being an investigator in the federal government and spending a lot of time in the courts, for the right reasons. The cost—you've shared that with me. Can you just share with the committee some of the costs that you've incurred and how you see, again, the government taking

some of the downloading that you incurred before we were around and having to bear it?

Ms. Southall: I have two very quick examples. I mentioned court security: We have increasing costs annually to that. I believe there could be some consideration to make sure that there is consistency with respect to perimeter security, and some potential funding for perimeter security or wandering would be one example. As well, just to look at issues: We could give you, for example, average remands in a court. Every time officers attend court, we're paying them time and a half—so some study with respect to average remands to try to reduce those times, make the court quicker and more efficient, and not give up anything with respect to the whole issue of conviction.

The Chair: Now we move to the official opposition.

Mr. Barrett: Thank you, Chief and Councillor. You mentioned waterway safety and your work with impaired driving and first response. I guess I don't know enough about it. Who else is out there? Also out there we have the RCMP, US Coast Guard, Canadian Coast Guard, OPP. How do you work together? I suppose there are other US agencies.

Ms. Southall: With respect to the border issues, I have been dealing over the past year specifically with the RCMP, and we have received some secondments to ensure that we're on those committees. Those committees are looking at what the future direction will be with respect to marine security, and not just in Niagara but in the Great Lakes area.

My point, as well, is with respect to waterways. We are only responsible for waterway safety—basically boating. But the comment is that we need provincial support to recognize that, if something occurs, we are the first responders here. So it's more support in ensuring that there is resourcing actually here and working in partnership. The OPP, with respect to the border and the waterways, we don't have a lot of interaction with. Their boats aren't located in our areas. At the border, we are responsible as well in doing impaired driving, because their customs officers aren't authorized to do that. We do that singularly, on our own.

Mr. Barrett: You mentioned guns and gangs. Both Premier McGuinty and Attorney General Bryant are on record as committed to banning handguns. How would we accomplish that beyond the 1930s legislation that we already have federally? How would the Premier of the province or the Attorney General ban handguns in Ontario?

Ms. Southall: I'm not certain it would be done provincially. You have the whole licensing, which is being questioned now federally: Are we to maintain that or carry on further—

Mr. Barrett: For restricted firearms?

Ms. Southall: Restricted, yes. As well, there are secondments from the OPP that deal with the licensing issue across Ontario. Obviously, if you were to ban them it would be a support to the federal government to have

some federal legislation to ban them. I don't believe the authority to ban them would be provincial; it would be federal.

Mr. Barrett: That would apply to the licensing for restricted firearms as well?

Ms. Southall: The licensing is federal now, but some of that could be downloaded to the province.

The Chair: Now we'll move to the NDP.

Mr. Prue: I have two questions. The first one has to do with the border. There was discussion during the federal election, and it was the Conservative position that the border people—customs and possibly immigration—would be armed. Is that going to have any impact on your resources or what you need to do, or will you have to go there less often?

Ms. Southall: Yes, absolutely. My intentions are to meet with our new federal rep. One of the reasons we attend is from an officer safety perspective, and they are not armed at this point. We attend for that purpose.

With respect to, for example, bomb calls or suspicious bomb calls, we have the equipment to provide that back-up service. Aside from the firearm, it would be helpful if they would assist in the provision of some of that equipment as well, because it's quite costly to us.

Mr. Prue: The second question is about court security. You talked about that. I think that every municipality that has a court system is paying for this; every single one. Some municipalities, like Ottawa or Toronto, also have to pay to guard embassies and people who come to protest in front of them. They have enormous costs. Are these being looked at as well? Maybe not from Niagara, but I think Ottawa and Toronto pay a lot.

1320

Ms. Southall: Absolutely. We're all in the same boat. The general comment on all of this is, this was downloaded into the act and then the local taxpayers are tasked with providing this cost. We've had very minimal funding.

The anomaly in Niagara is that we do have a number of courts. We don't have one centralized court like Hamilton does, for example. So we have to provide court security; the courts that are present here from the criminal perspective as well.

With respect to guarding the embassies, we have a responsibility here as well. When our local MPs or any member of Parliament attends here, or any dignitary from another country, somebody who is from an embassy—a lot of people want to come and see Niagara, and from our ETU perspective we have the responsibility and bear the cost of providing that protection as well, and we are not funded for that. So I'm not certain whether or not the other police services are.

The Chair: Thank you for your presentation. If you speak to the clerk, he'll provide you the information you want.

Ms. Southall: Thank you.

CANADIAN MANUFACTURERS AND EXPORTERS

The Chair: Now I call on the Canadian Manufacturers and Exporters to come forward, please. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Ian Howcroft: Good afternoon. Thank you, Chair. My name is Ian Howcroft and I'm vice-president, Canadian Manufacturers and Exporters, for the Ontario division. With me today is Paul Clipsham. He's the director of policy, and he's also the staff support to our taxation committees. On behalf of the CME, I'd like to thank the committee for providing us with the opportunity to express the views of our members related to the upcoming provincial budget.

Canadian Manufacturers and Exporters, or CME, Ontario division, is the voice of manufacturing and exporting in Ontario. Our member companies produce approximately 75% of the province's and the country's manufactured output and are responsible for about 90% of the country's exports. CME represents a broad variety of sectors. Our membership is composed about 80% of small and medium-sized businesses, and the other 15% to 20% is composed of the larger businesses. Our members also come from all sectors of manufacturing, and we feel we are well qualified to represent the voice of manufacturing in Ontario.

In Ontario alone, our sector comprises about 20% of total GDP and contributes approximately \$290 billion to the Ontario economy. Further, the manufacturing and exporting sector provides employment to over one million individuals in the province. I think an even more telling fact is that almost two million more individuals have jobs that are indirectly dependent on manufacturing. These are highly skilled and highly paid jobs with wages 25% above the average of the country. However, it is of great concern to this organization to see the number of jobs in this sector declining. Over the last year, we've seen about 40,000 to 50,000 job losses in the manufacturing sector alone. Action is needed to ensure that we have a vibrant manufacturing sector for the future and for the years to come.

Manufacturers and exporters are facing a perfect storm of challenges, including soaring input costs, particularly in the area of energy; raw materials and labour costs; competition from low markets, such as India, China, Brazil and Russia; and a high dollar relative to the United States. Businesses are also facing nearly the highest marginal effective tax rates among the OECD countries. CME has recently undertaken a massive stakeholder engagement or initiative that we've entitled Manufacturing 20/20: Building Our Vision for the Future. What do we have to do now to ensure that we have a vibrant, growing, sustainable manufacturing sector here in the year 2020? It's also a little play on words, creating that perfect vision for manufacturing.

Over the last 24 months, we've listened to over 3,000 stakeholders and held over 100 meetings in communities across Canada—about one half of them here in Ontario. Common challenges emerged, including workplace capabilities, innovation, international business, business and financial services, and the overall business environment. Businesses are responding by investing in innovative technologies and training that will improve efficiency and increase productivity. While the manufacturers and exporters are making the changes necessary to remain competitive, the government must play a crucial role in addressing barriers to growth and prosperity.

CME Ontario's taxation committee has identified key areas and directions in Ontario's tax system which are necessary for the government to pursue in order to maintain a healthy economy and an improved competitive climate for manufacturers. In addition to tax policy reform, our recommendations also address issues such as the skills shortage, innovation and productivity, regulatory impediments and the Ontario electricity market. Our membership believes that our comments will help the government to make decisions that will support a competitive business environment for the benefit of all Ontarians.

The level of the Ontario tax burden continues to be viewed as an unnecessary and unproductive cost of doing business in Ontario. The 2005 Tax Competitiveness Report by the C.D. Howe Institute indicates that Canada's marginal effective tax rate is the second highest among the 36 OECD countries. These costs are beyond the capability of individual companies to control and a major impediment to attracting new investment and sustaining economic growth.

For purposes of our presentation, CME will focus on three important areas in which Ontario can work to improve the marginal effective tax rate relating to competing jurisdictions. They include immediate elimination of the capital tax; accelerate the capital cost allowance; and general corporate tax rate reductions to 12%.

We believe that the government has a unique opportunity at this time to leverage the most economic gain by proceeding with targeted tax reforms in each of these areas. We believe the economic spinoffs from these reforms will garner the biggest bang for the buck and will provide the right incentive for future investment and growth.

In order to slow the tide of high-value-added investments leaving the province, businesses need competitive tax rates. Businesses are faced with marginal effective tax rates of 39%.

CME strongly encourages the government to legislate the immediate and full elimination of the capital tax. The government has already recognized that the capital tax is a disincentive to capital ownership. If the government is serious about encouraging new investment in the province and retaining existing investment, there's no rationale for such a delay. Again, the government has already agreed to eliminate it; what we're looking for is an expedited time frame.

Our members recognize that a capital recovery system, such as the current capital cost allowance, is an important element of our tax system. The CCA has been comparatively advantageous in the past. However, the system no longer compares well when we look at other jurisdictions. Tax measures to enhance capital investment would result in increased employment and greater economic growth in the province of Ontario. In our view, this is undoubtedly a competitive issue. More competing jurisdictions, such as Quebec, offer M and P capital investments at 125% depreciation in the year the expenditure is incurred. In addition, US tax relief applicable to machinery and equipment is, at 6.7%, more favourable.

We recommend that the government introduce a more favourable capital recovery regime which would apply to new machinery and equipment. This could be accomplished by expanding the existing 30% Ontario current cost adjustment currently applicable to pollution control spending to include manufacturing and processing equipment and granting a two-year write-off through the existing CCA system.

The optimal means of improving the marginal effective tax rate is to reduce the general tax rate on business to 12%. This move would be relatively easy from an administrative standpoint and make Ontario's taxation rates competitive with other jurisdictions, again particularly the United States. This would allow companies to better justify existing and future investments in Canada and free up capital for process improvements, training and R&D spending.

Canadian and Ontario tax rates must be more competitive than those in the United States, not only to offset advantages of the large US market but also to ensure that Canada and Ontario are competitive investment locations on a global basis. Mexico, China, Singapore, Chile and Brazil are, for many companies, even stronger competitors for innovation investments than is the United States.

To conclude my comments, we're focusing on the immediate elimination of the capital tax, accelerated capital cost allowance, and a move to the general corporate tax reduction rate of 12%.

I'd now like to turn it over to Paul to conclude our formal comments, and then we'd be pleased to answer any questions you might have.

1330

Mr. Paul Clipsham: The first section I'm going to cover is harmonization. Improving Ontario's taxation system is critical to improving Ontario's tax competitiveness and the performance of Ontario's businesses.

CME strongly supports measures to harmonize the tax collection system between the Ontario and federal governments. Once the government has completed the harmonization of corporate tax collection, there will be an opportunity to encourage the federal government to eliminate the taxation of the SR and ED tax credit and move toward a highly advantageous value-added tax system.

In the fall of 2004, the federal and Ontario provincial governments announced that they would harmonize their corporate income tax programs. This has the potential to be of enormous benefit to taxpayers while providing administrative savings for government.

Harmonizing the legislative and administrative provisions will allow the filing of returns and subsequent audits to be streamlined, providing maximum savings to government and taxpayers alike. Similarities in taxing regimes will not only reduce administrative burdens but will also improve compliance by eliminating differing rules between the two systems. This will also result in reduced audit issues and lead to a reduction in the number of items taken through the appeals process, again saving time and money for all parties. Taking advantage of a common appeals process will significantly reduce the current backlog at the provincial level and provide taxpayers with common rules to be followed.

CME strongly encourages the Ontario government to proceed with their commitment to harmonize corporate taxes.

The implementation of this harmonization project also raises opportunities to further encourage the growth of research and development in Canada. Currently, Ontario does not subject the federal SR and ED—scientific research and experimental development—investment tax credit to corporate income tax. If the harmonization process could be leveraged to convince the federal government to also remove their own SR and ED investment tax credit from the federal corporate income tax base, this would provide a significant incentive to locating R&D activities in Canada.

CME feels strongly that the government of Ontario should replace the Ontario retail sales tax with a value-added tax, or VAT. This is a medium- to long-term priority that CME wishes to pursue. The introduction of a VAT will improve the overall domestic and export competitiveness of industry in the province. The current sales tax situation not only weakens the competitiveness of Ontario goods in the domestic market, but also in export markets against competitors located in jurisdictions that have value-added taxes. Implementation of a VAT would have the secondary benefit of simplifying compliance and administrative requirements, due to its alignment with the existing federal goods and services tax, also a VAT; in effect, a harmonized sales tax similar to the Atlantic provinces.

The Chair: You have about a minute in for your presentation.

Mr. Clipsham: Okay, I'll just finish these comments. To summarize, the three points are: harmonized corporate sales tax, press for the removal of the SR and ED from the tax base at the federal level and move to a harmonized sales tax.

Two other points about tax simplification:

—We'd like to see elimination of the corporate minimum tax. It's not a significant source of revenue for the government and represents an administrative and financial burden for businesses in Ontario.

—The apprenticeship training tax credit is really a competitive advantage for Canadian and Ontario businesses, but we're not seeing the uptake we'd like to see on this. So we recommend streamlining that process wherever possible and building some awareness about it as well.

I'd just like to reference a few other non-tax priorities. Challenges in finding and retaining skilled people continue to be an issue for our members, as well as electricity rates. That's a big issue in Ontario, of course, and we'd like to see efforts to expedite large-scale supply development and look at other means of mitigating cost impacts associated with higher rates.

That's basically the conclusion of our formal presentation. I guess we'll turn it over for questions.

The Chair: Thank you very much. This round will go to the official opposition.

Mr. Barrett: Thank you, Mr. Chair, and thanks to the Canadian Manufacturers and Exporters for testifying. You made mention of spending on pollution control. The Ontario government fairly recently passed the spills bill, legislation essentially focusing solely on fines and increases in fines after a spill occurs, whether it's to the air, the water or the ground. The advisory committee to the government did make recommendations to facilitate grants or loans or taxation assistance to companies to better enable them to upgrade plant and equipment to prevent some of these occurrences and spills in the first place.

Is there any comment on that? The legislation is done now in its fine focus.

Mr. Howcroft: I think we would agree with the direction to provide assistance to companies to ensure that a spill doesn't take place in the first instance. We were quite involved with the spills bill and have a lot of concerns with regard to some of the methods that were included in the bill. We certainly support the objectives it was trying to achieve, and we have done a lot of work and actually were very involved in helping bring the employer community together so that we could provide our input to the government on this, because we did have serious concerns. If there's a spill, it should be cleaned up and those responsible should pay for it. We have no problems with that. But we had concerns, with regard to the bill, with the unintended consequences of the negative image that's being portrayed out there. We're trying to attract investment and show that the province is open for business, and we think the bill probably left a different impression with many people looking at what's going on in Ontario.

Mr. Clipsham: If I could just add one comment: In terms of grant funding or looking at ways to help manufacturers and companies to make those changes, from our standpoint it's probably more effective to just make some of these targeted tax reforms and free up capital to make those investments that they're going to have to make anyway.

Mr. Hudak: Thanks, gentlemen, for the presentation. On taxation, I've heard the Minister of Economic De-

velopment and some of his colleagues say that Ontario's corporate tax rates are actually highly competitive, that we're in a good position. You present the C.D. Howe Institute, which says quite the opposite. Could you clarify for me where we actually stand on tax competitiveness?

Secondly, we've had a lot of comment about the proposed closure of coal-fired plants, with suggestions that we should invest more so in clean coal technology, and the impact that would have on energy rates.

Mr. Howcroft: There are different ways of looking at tax rates. Our tax committee spent a lot of time analyzing this, and we looked at other organizations too. Overall, we feel that when you look at the whole tax burden we have, we're not competitive and have to move in a more favourable direction if we're going to maintain competitiveness and industry growth in Ontario.

We do have serious concerns on the other issue, with regard to the closure of the coal-fired generators. Again, we certainly understand and support the intent of closing coal-fired generators. We're just concerned that there are going to be huge increases in the price of energy when you take one quarter to one third of the generation capacity off-line without adequate replacements in service. One of the ways we've been looking at this is, don't ban a particular source of energy; go with emission standards. I think we need to look more at clean coal technologies and what is possible. We certainly understand the environmental issues and the smog, the CO₂ and the NO_x and SO_x, but we also want to look at the best way of doing this from a scientific perspective.

The Chair: We'll move to Mr. Prue from the NDP.

Mr. Prue: You started off by advocating a lower effective tax rate. I can understand why business would want to pay less tax. So do ordinary people—everybody. On the other hand, how could this possibly work? We have a government that's running a deficit this year and next year, and hopefully, some time in 2007 or 2008, will come out of that and have a balanced budget. That's the plan, anyway. If they reduce business taxes, they won't make it till 2009 or 2010, if ever.

Mr. Howcroft: Our view is, instead of splitting up a diminishing pie, let's try to create a larger source of revenue, a larger pie, that we can all benefit from. The government itself has recognized that capital taxes are a deterrent to investment. What we want to do to combat that is increase investment, increase job creation, increase wealth opportunities in the province and grow the tax base through more businesses and more individuals.

Again, our first issue was on the capital tax side. We recognize that it is a negative. It is hurting the economy. It is scheduled to be eliminated. We think there is a reasonable argument that we should expedite that and start benefiting from the reduction of the capital tax immediately, rather than waiting until 2010 or 2012.

Mr. Prue: If the government does that and speeds it up, accelerates, they're obviously going to have to find another source of revenue. If business booms, perhaps there will be more jobs and more money. But if business does not—and this is all cyclical; it happens over and

over, up and down—then the only other thing they can do is run a bigger deficit, which you oppose, or tax ordinary people, which I think they oppose. Everybody comes and asks for a tax reduction, and I'm just wondering how reasonable this is.

1340

Mr. Howcroft: We think it is reasonable. We feel that we have to grow the economy. We have to not only preserve the business we have in Ontario; we have to grow that if we're going to sustain the infrastructure and the quality of life we have here. The manufacturing sector is going through significant major changes. We see those challenges in the newspapers every day. If we don't address those, they're going to be exacerbated over the next few years and we're going to be in an even more difficult financial position, with more threats to the public purse. So we think we have to take these tax measures now, in order to attract the investment, retain the investment and grow the economy. If we don't take those steps, we're going to see the continued attrition of investment to other jurisdictions that have more favourable tax treatments.

The Chair: Now we'll move to the government.

Mr. Arthurs: Thank you for the presentation. I want to go to one specific area, if we could, and that's the apprenticeship training tax credit enhancement. Clearly, this government wants to see young people trained to fill the voids that are going to occur in the workplace. You've made two particular comments: One, in order to improve the uptake, the government should streamline the application process. Can you help me with some of the things we might do to streamline that process? That's one question. Secondly, on increasing awareness in the business community to the benefits and costs, does your organization currently partner in any way with the government in doing that; would you be interested; and if so, how would you see that we could do it in partnership to advantage this for the business community?

Mr. Howcroft: Actually, we've been working very closely with the Ministry of Training, Colleges and Universities on the tax credit. We've long been advocating for that and were very supportive of the direction the government took. I think we were both a little surprised—both us and the government—that we haven't seen the uptake that we thought we should have on this very favourable measure, and we're trying to deal with the perception issue. We want a streamlined a process as possible. I think what's been developed is fairly streamlined, but we're also dealing with the perception out there that government programs are not easy to access. So what we're doing is trying to make sure that our members and others in the business community understand that the tax credit is available. Many people still don't understand it's available, so it's incumbent upon us—we have a responsibility to get that message out, and we're doing that in a variety of ways, like working with the government. The government was a partner with us at our conference in the fall where we provided information to those attending the conference,

and we're looking for other ways to work with them as well to get the message out.

Mr. Arthurs: That's great. And certainly when there are good programs in place, we want to ensure, both from the business and government sides, that we get the message out as clearly and as strongly as possible. I'm very pleased to hear of the work that is going on.

Mr. Howcroft: And we're very pleased with that measure. Thank you.

The Chair: Thank you for your presentation.

ONTARIO VETERINARY MEDICAL ASSOCIATION

The Chair: I would call on the Ontario Veterinary Medical Association to come forward. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I'd ask you to identify yourselves for the purposes of our recording Hansard.

Dr. Rick Healey: Dr. Rick Healey.

Mr. Doug Raven: Doug Raven.

Dr. Healey: Good afternoon. On behalf of Ontario veterinarians, I'd like to thank the committee for this opportunity. As mentioned, my name is Dr. Rick Healey. I'm the president of the Ontario Veterinary Medical Association. I am also the owner of a companion and food animal practice in Paris, Ontario. Joining me today is Mr. Doug Raven, the executive director of OVMA.

This is the first time OVMA has participated in pre-budget consultations. Traditionally, the veterinary profession's interaction with the government has been largely limited to discussing agricultural issues such as food safety and antimicrobial resistance. More recently, the profession has found itself involved in issues spanning a variety of ministries, from the Ministry of Health to the Ministry of the Environment and the Ministry of Labour. We've always done our best to provide support, knowledge and expertise when needed but have not devoted significant resources to proactively working with the Ontario government to address issues of common concern.

Times have changed. The issues facing our profession are increasingly fundamental issues for all Ontario residents and the animals that they care for and about. OVMA is therefore committed to making government relations a top priority for our association.

OVMA's mandate is to advance and promote excellence in the veterinary profession in Ontario and contribute to the betterment of animal health and the protection of human health. The reference to human health may be a surprise to some of you. I know you are all aware of the important role that veterinarians play in rural Ontario protecting the hundreds of millions of dollars that livestock and poultry producers have invested in their animals. However, you may not be aware that veterinarians are frequently on the front lines of human health protection.

It's virtually impossible to pick up a newspaper today without reading about threats such as avian influenza, mad cow disease, E. coli in the water supply and West Nile virus. While these are significant threats to human health and are often viewed only as human health issues, it is veterinarians who play a key role in preventing these diseases from crossing over from the animal population to the human population.

At the same time, study after study has reinforced the important role that companion animals play in the physical and mental health of their human companions. Owning a pet has been demonstrated to reduce stress, decrease the risk of high blood pressure or heart attack, and reduce the likelihood of depression. The human-animal bond is truly an effective contributor to optimal health. The best part for the province is that it doesn't cost OHIP a dime. It is up to veterinarians and the pet-owning public to ensure that the healing powers of the human-animal bond are sustained.

Unfortunately, not everyone can afford to provide medical care for their pets. That's why the OVMA has programs in place to help Ontarians in need—programs the government may not be aware of. In 2002, OVMA created the Farley Foundation to assist pets that require necessary medical attention and that are owned by low-income seniors and people on disability. For many of these people, their pets are their sole companion and are therefore essential to their mental well-being. The OVMA and its members have raised and dispensed hundreds of thousands of dollars to date to provide this needed medical care.

We are aware that shelters for abused women are normally unable to accept pets and that many women who are suffering at the hands of an abusive spouse will not leave the abusive situation because they are concerned about the potential harm that may befall their pet. That's why OVMA created the Safepet program. Over 75 veterinarians across the province volunteer their clinics and their services to abused women who wish to enter a women's shelter and have nowhere for their pet to go. These veterinarians provide shelter, food, exercise and necessary medical care until alternative arrangements can be made. These services are provided without compensation.

We also are aware of the strong link between cruelty to animals and cruelty to humans. OVMA has therefore made a commitment to work with the Ministry of Community Safety and Correctional Services to bring about a change in legislation making it mandatory for veterinarians to report suspected cases of animal abuse. While this would impose an additional obligation on veterinarians, we are pressing for this change because we feel it is the right thing to do for Ontarians.

Mr. Chair and committee members, it is obvious that veterinarians are an integral part of the medical profession, benefiting both animals and humans, yet because veterinarians are regulated under the Veterinarians Act and not under the Regulated Health Professions Act, we are sometimes lost in the shuffle when legislative amendments are being considered by the government.

Mr. Raven will quickly provide you with more details about a recent situation where veterinarians were unfortunately forgotten when the province was amending legislation affecting health care professionals.

Mr. Raven: Thank you, Dr. Healey.

OVMA was very pleased to hear last year that the province was introducing legislation that would, subject to the enactment of appropriate regulations, allow health care providers with professional corporations to reduce their families' income tax burden by allowing family members to become non-voting shareholders in their incorporated businesses. It was exceptionally good news for food animal veterinarians in particular. The closing of foreign markets to Canadian cattle due to BSE has placed a significant strain on livestock and dairy producers, and the veterinarians who serve them.

Over the last few years, declining revenues in rural areas have forced many veterinarians to give up food animal practice entirely. This has exacerbated a trend that was already under way: an ongoing decline in the number of veterinarians practising in rural and remote communities across the province, as more and more veterinarians find that it is simply not economically feasible to operate a veterinary practice in some of those areas. Initially, that started in northern Ontario, and we're now seeing it in many areas of southern Ontario as well. As a result, there are more and more areas of the province without access to veterinary care.

Given the role that veterinarians play in disease identification and prevention, and the growing connection noted earlier between animal and human disease, this should be of concern to the province of Ontario and to every Ontario resident. OVMA is actively seeking ways to assist veterinarians to stay in those remote and rural areas without placing an even greater financial burden on the already beleaguered farmer.

While we were initially pleased by the announcement that the province made last year, when we saw the proposed legislation, we were surprised and dismayed to find out that veterinarians are the only health care professionals who were not to be covered by this new legislative provision. Our first impression was that despite veterinarians' role in protecting both animal and human health, the government did not recognize veterinarians as health care providers. However, when we met with the Minister of Finance's advisers, we were told that it was simply an oversight. Because Ontario veterinarians are regulated under different legislation than human health care providers—they are under the Regulated Health Professions Act, and veterinarians are under the Veterinarians Act—the legislative amendment simply failed to cover them. Unfortunately, because that legislative amendment was included in a bill to implement last year's budget and because veterinarians were not specifically mentioned in the budget, it was not possible to incorporate an amendment to the Veterinarians Act in that bill. We were informed by ministry staff that to rectify the oversight, the change would have to be made in the upcoming budget, and that is what we are here today to ask.

1350

We are currently working with the Ministry of Finance to determine the cost of extending this opportunity to veterinarians. Given that the number of veterinarians in the province of Ontario is a very small portion of the total number of doctors and dentists in the province, our expectation is that the cost to the province would be minimal. In fact, our preliminary analysis conducted with the ministry shows that the numbers are low enough that we estimate it could come from the original amount set aside for doctors and dentists, with no additional fiscal impact on the province over that already planned. However, it will assist veterinarians across Ontario to continue to provide valuable medical services to the people and animals they serve. It will particularly assist practices in the smaller communities and could even assist some veterinarians to stay in rural areas. Of equal importance, it would demonstrate the province's commitment to the equitable treatment of all health care professionals.

We thank you for taking the time to hear us this afternoon. Dr. Healey and I would be happy to answer any questions you may have.

The Chair: Thank you. The questioning will begin with the NDP.

Mr. Prue: I was quite surprised as well. Veterinarians came forward and talked to me in terms of the budget bill and how you had been left out. Has that finally been resolved, or is it still ongoing?

Mr. Raven: It is still ongoing.

Mr. Prue: If it was such a minor problem, what is taking so long?

Mr. Raven: We were told the problem was that because veterinarians were not mentioned in last year's budget, they would have to amend the bill to include the Veterinarians Act along with the Regulated Health Professions Act. They could not amend it because the reference to veterinarians was not in the budget, and it was a budget bill. It was an administrative issue.

Mr. Prue: Have they promised that it will be in this year's budget bill?

Mr. Raven: We have been told in discussions with the finance ministry staff that they are very sympathetic to the cause. We have not been told officially that it will be included.

Mr. Prue: How much will this assist veterinarians? I understand how it assisted doctors and some other people who had access to it in terms of making more money and staying, some of them, in remote and rural areas. That was part of the cause. Will that have exactly the same effect on keeping veterinarians in rural areas to look after farm animals and/or in remote northern areas where there are not too many of them?

Mr. Raven: We've had a number of discussions with both the Ministry of Northern Affairs and the Ministry of Agriculture, Food and Rural Affairs about the issue. They both recognize that we are having a problem keeping veterinarians in those areas. The hard part is finding a way to do that without simply passing on greater charges

to the veterinarians' clients, who are also having difficult times. We are looking at a number of ways to try and do that. This would be one measure towards that end.

The Chair: We'll move to the government.

Mrs. Mitchell: Thank you very much, gentlemen, for coming out today. I come from the riding of Huron-Bruce, and I certainly appreciate all the work you do for our rural communities. I'm also the parliamentary assistant to the Minister of Agriculture, Food and Rural Affairs, so I will make sure the minister receives this report.

I also have a couple of questions for you. The Office of the Chief Veterinarian was formed this year. I would ask you gentlemen what your comments are with regard to that office. Do you see it as a venue for addressing a lot of your concerns here?

Dr. Healey: I think it's critical in trying to link our profession with the government. Part of our address today addressed the fact that we have not proactively worked with the government in the past. I think forming that new office will allow that connection. Its main focus is going to be these named diseases and these foreign diseases that are a major concern and further illustrate the importance that we play in the human health world.

With respect to the budget changes, I think it just further emphasizes the need for us to be seen equally and treated equally in the profession.

Mrs. Mitchell: But as far as reporting processes—you've talked about the different ministries. I think that often you get caught between ministry to ministry to ministry. With regard to the Chief Veterinarian's position, do you see that as one way of addressing the ministries combined? I certainly understand that the other issue you have right now with the Ministry of Finance is separate from that. I'm talking more about food safety and your role going forward from that day.

Mr. Raven: If I can answer that question, certainly we were very, very pleased when that office was created, and additionally pleased when Dr. Deb Stark was named to that post. She is highly respected in the veterinary profession and community in the province of Ontario. We have been very pleased to date with our discussions with Dr. Stark and the progress she has made in finally linking up the government, the veterinary profession and the various producer groups, who don't always work together on these issues. She is the kind of person who has been able to pull the groups together and finally get everyone rowing in the same direction, and we're very pleased.

The Chair: Thank you. Now we'll move to the official opposition.

Mr. Barrett: Thank you for testifying on behalf of the Ontario Veterinary Medical Association. Locally, we're now dealing with the results, in a sense, of the pit bull legislation, trying to sort out who does what in our area, and we're being very cautious. I recall, in testimony, the veterinary association identified the difficulty in trying to identify what is a pit bull and what isn't. The Attorney General has indicated that if it looks like a pit bull, it is a

pit bull, although as I understand the legislation, there's a reverse onus: The owner would have to prove that it's not of that breed. Mr. Raven, I know you've been in the media concerning this. We have a situation: We don't know whether the municipality should be dealing with this or the OPP or the humane society, and where a veterinarian gets involved. We now have the law in place. How best do we move forward on this? I'm not in favour of killing off any breed of dog, by the way.

Mr. Raven: We are certainly monitoring the implementation of the legislation rather closely. Unfortunately, we've heard of a number of instances where a local humane society has not only taken on their role, but also the role of judge and jury, and has sentenced a dog to death without the owner having due course to the courts to determine whether or not the dog was even a pit bull. So there are a number of issues that we're very concerned about. We have offered to assist the government to try to resolve those issues as time goes on, and hopefully we'll be able to do that. But we are continuing to monitor that issue very closely.

Mr. Hudak: Thanks, Mr. Raven. It's good seeing you again. By coincidence, I just came back from the vet's, an animal clinic here in Niagara Falls. We have some great veterinarians here in the peninsula. Our cat, Bogart, is feeling a bit under the weather, so hopefully this will fix him up.

With respect to the issue on medical professionals, has there been progress with other health care professionals, aside from veterinarians, in gaining access to that tax advantage?

Mr. Raven: We are working with a third party consultant who works with a variety of health care organizations that are all seeking access to it. I understand that we are, again, making progress, but as previously indicated, there has been no formal commitment at this time.

Mr. Hudak: I have another question just in terms of recruiting veterinarians to work in rural areas and increasing training for rural and large animal vets. Is there any progress on that front?

Mr. Raven: We continue to have discussions with the other ministries on that. At the end of the day, one of the issues, of course, is that if you're smart enough to get into veterinary school, you're smart enough to figure out that you can make more money treating cats and dogs than you can large animals right now because of the tough times that rural areas are going through. That's really what we're trying to address: How can we address that and make rural practice continue to be an attractive proposition for a young veterinarian?

1400

The Chair: Thank you for your presentation.

Mr. Wilkinson: On a point of order, Mr. Chair: You referred to an appendix A, and I don't see that as part of your package.

Mr. Raven: Thank you for that. It was our annual conference last week, and we were spending most of the

week at the Westin Harbour Castle with a couple of thousand veterinarians. We had expected to have appendix A based on discussions with the province about what the exact number would be. Unfortunately, we did not have that, and I apologize for that. We will be making all that information available to the Ministry of Finance, and they will have the final number.

Mr. Wilkinson: When you have that, could you also get that to our clerk, and we can add that to the package so we have that when we have deliberations?

Mr. Raven: Yes, we certainly will. My apologies for that.

The Chair: That way each member will have one. Thank you very much.

CANADA'S RESEARCH-BASED PHARMACEUTICAL COMPANIES

The Chair: Now I call on Canada's Research-Based Pharmaceutical Companies to come forward. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning. I would ask you to identify yourselves for the purposes of Hansard.

Mr. Geoff Mitchinson: Thank you very much. My name is Geoff Mitchinson. I'm vice-president of public affairs for GlaxoSmithKline. I'm joined by Zenek Dybka, executive director, Ontario government affairs, for Canada's Research-Based Pharmaceutical Companies.

Zenek and I are proud, on behalf of our 9,000 Ontario-based employees, to be presenting to you today. These are exciting times. On the one hand, we have incredible biotechnology innovations that are coming through that are having a major impact and will have a major impact on just about any disease you can name. On the other hand, we have the benefits that that whole revolution in life sciences is bringing forward, which is incredible economic growth, the incredible capacity for investment in this industry and in this province.

Our submission argues forcefully that innovation in the life sciences sector, a robust pharmaceutical industry and better health care for Ontarians are mutually compatible and benefit all Ontarians now and in the future. Investing in only one side of this equation while repudiating the other is not a successful strategy. It will impact the health of Ontarians and the future potential of our economy. We believe 2006 is a pivotal year on both these fronts.

Our submission focuses on three areas. The first area is what we call "Do no harm," which I'll elaborate on. The second is, let's take the time to recognize what's really working in health care right now. What is the best way to treat patients for the best outcomes in the most efficient manner? Finally, what does it mean to say we're going to have an innovation agenda? Who's involved and what does that mean?

Let me start with the first point: Do no harm. We very much appreciate in our industry that the government and the province have sustainability issues in health care. It's

expensive, it's growing and it's a problem that you need to grapple with. On the other hand, we need to ensure that decisions that are taken make sense.

Last year, before this same committee, we were faced with a proposal called reference-based pricing. I won't go into the merits or demerits of that particular policy at the moment, but I will say it was driven out of the fact that the government was given some inaccurate forecast numbers out of the Ontario drug benefit plan. Government officials projected annual ODB growth at 15%, and we were informed of that as an association in meetings with the Office of the Premier last spring.

The government felt that they needed to contain growth of the drug plan at 10%, given growth in other parts of the health care system. This 5% reduction would achieve a savings of approximately \$160 million in the \$3.2-billion drug budget. In response, our industry commissioned a study using the government's own data and its own consultant, and forecast that in fact 10.9% was the real growth rate likely in the Ontario drug benefit plan. The government settled on 12% in the budget and, year to date, the fiscal growth rate is around 10.2%. What I want to highlight is that the policy that was going to be put into place to get to 10% when the estimate was 15%, to save the \$160 million, would have had a dramatic impact on the two million people who use the Ontario drug benefit plan, not to mention the impact on the life sciences sector and our industry.

We agree wholeheartedly when the Premier states that you can't manage what you don't measure, but you must measure properly, as in this example. Not measuring correctly could have led to disastrous results. So we simply ask that we get the numbers right and we come together to understand what the real impact of the drug program is in the province.

We need to recognize what works and what doesn't. The pressures of health care, we understand, are significant, but the data is overwhelming that if you treat the patient with the right health care team, with the right medicines at the right time, and you do that in partnership with all players, you get a fantastically better outcome. The evidence is equally overwhelming that if you use innovative new medicines and new technologies, the net cost savings tend to be dramatic, compared to traditional therapies. The reason for that is simple: Usually, new technologies are priced to be under the next best option. In other words, you gain the efficiency with the new technology.

Finally, many experts believe that patients, far from being overmedicated, are often undermedicated. That has a lot to do with the fact that they may not be on the right medicines with the right treatment and then stay on those treatments and be monitored effectively. We argue that we need to have a partnership to make that go forward for the benefit of patients in Ontario.

Finally, we need to collectively grasp the opportunity to understand what innovation really means and to have a holistic strategy in the province where we support the life sciences sector and support the pharmaceutical industry for the benefit of patients and the benefit of the economy.

We currently have a situation where the government is looking at joining the national pharmaceutical strategy, which sounds like a good idea. But in reality, it's relinquishing control over decision-making to federal authority in what is really a cost-cutting scheme that we believe will have a negative impact on patients. We believe we need to address the section 8 process in the Ontario drug benefit plan, which generates some 160,000 letters a year from physicians requesting new therapies—70% of these are accepted. In a province where we have a 3,000 or 4,000 GP physician shortage, that's an awful lot of extra work that we believe may be unnecessary.

Our goal is simply this: We are ready, willing and able to work with the government, and to work with physicians, patients and other stakeholder groups to provide the best medicines for patients at the right time. We have innovative disease management programs that help health care providers do that, and we have an incredibly successful industry that's continuing to invest in Ontario and wants to be part of the future economic prosperity of this province. On that note, I'll take any questions.

The Chair: We'll begin this round of questioning with the government. Ms. Marsales.

Ms. Judy Marsales (Hamilton West): Good afternoon, gentlemen. Thank you very much for your presentation. Zenek, it's nice to see you again. As you may know, we're just in the process of opening one of the finest innovation parks, the McMaster Innovation Park in Hamilton. It's been said that while we are doing the right research, there's a bit of a challenge getting the benefits of that research to the marketplace and, by extension, into actual practice.

Could you speak to that, and what is going to happen in terms of McMaster?

Mr. Mitchinson: A very good point, and kudos to McMaster for taking on that initiative on the Westinghouse property. As Hamilton residents, past and present, that's great to see.

Ontario has made a great investment in basic R&D under both the current government and previous government, if you look at the MARS project in Toronto and the different cluster sites that have been built around the province. The issue isn't creating another round of basic research centres where you have small three- or four-person labs; the issue is how you convert the discoveries they're making into commercializable—it may be an overused term—products. There are two barriers to that. The first is venture capital, on which I don't pretend to be an expert, but I do know that the vast majority of biotech companies that truly get going usually wind up partnering with major pharmaceutical companies at the phase-3 level. That's where it tends to cost tens, if not hundreds, of millions of dollars to develop products.

The second is ability to sell your product. That's where we talk about tying together the drug program. If you believe these innovations make sense, and hopefully some will be discovered at this new biotech park at McMaster, then they ought to be available to Ontarians for use in the health care system and, ideally, working

together with the drug plan, the investment the government makes in health care and the investment in parks like the one at McMaster, we can see that happen. But we've got to be working together, and right now we think that isn't occurring to the degree it could be.

The Chair: Mr. Barrett.

Mr. Barrett: I wish to thank you for your presentation. Much of your presentation—I haven't had a chance to read all of it—focuses on the Ontario drug benefit program. It looks like this year it represents 10% of the Ministry of Health budget. Some background information: 10 years ago, I think it was around \$1 billion for the ODB. What has been the change over the last 10 years, percentage-wise and dollar-wise?

Mr. Mitchinson: It was an interesting period. You tend to have waves in innovation. Throughout the mid- to late 1990s—my colleagues can give you the direct numbers—we had the introduction of a series of major new therapies. You had the introduction of the cholesterol lowering agents. You had the introduction of a number of products for cardiovascular diseases, as well as many others. So you saw a huge ramp-up in the cost of the drug benefit program, with growth rates between 12% and 18%. We're in a time now when we're actually not introducing as many new therapies and categories; ergo, the drug plan growth rate is predicted to be around 8% to 10% over the next four or five years. You kind of have the ebb and flow of innovation and the introduction of those innovations really driving higher costs.

1410

Mr. Barrett: Have you any idea what percentage it was 10 years ago? I'm just interested; that's when I arrived on the scene.

Mr. Zenek Dybka: I don't have that number off the top of my head, but we did experience growth, certainly in the last—the drug budget has been one of the fastest-growing areas within the health budget, but it still remains one of the smallest total components. In absolute dollar amounts, even a 10% growth rate, although high relative to other parts, is dwarfed by small percentage growth rates in the hospitals budget, for example, or in other parts of the health system.

Mr. Mitchinson: We can provide to you, if you'd like, what the relative trend line has been. In aggregate, it has flowed in the fashion I've described.

Mr. Barrett: Presently, it's 10% of the overall budget.

The Chair: If you do provide information, could you give it to the clerk, so that each member would have it?

Mr. Mitchinson: Yes, so it could be circulated to the committee—absolutely.

Mr. Hudak: One of the most heartbreaking things that any of us as MPPs have to deal with is a senior or other constituent who can't get access to a drug that she could get from another province or state. If you're a resident of Ontario, how does affordable drug access compare to peer jurisdictions?

Mr. Mitchinson: There are a number of ways you can look at that question. I would argue that until maybe the

mid- to late 1990s it was pretty good. Quebec has always been the gold standard, in the sense that they've tended to put on to their formulary the vast majority of products that come along, and in reality, their drug program hasn't grown tremendously more than any other jurisdiction.

Over the last number years, the listing of benefit products has dropped sharply. About 17% of new products that come to market are listed. You have a clear differentiation now between those that are on the Ontario drug benefit program and those that have private insurance. One could argue that the rationale for not putting products on is where we have a debate. Nobody is asking the government, and nobody is asking any payer, to pay for a product that doesn't provide value; we understand that. But the fashion in which these products are listed is based on something called evidence-based medicine. The trouble is that the evidence has to be the last possible word on the medicine before it goes on. That takes somewhere between 10 and 12 years of morbidity and mortality data. As such, it's almost impossible to put products on under that system. So I would argue it is a deteriorating situation; it's untenable. The section 8 process is inefficient, and frankly, it hurts your constituents and patients in Ontario.

The Chair: We'll now move to Mr. Prue of the NDP.

Mr. Prue: Thank you very much. As Mr Hudak was saying, I had some people come in to see me last week in my constituency office. The woman has multiple myeloma and was advocating on behalf of a drug; I think it was Velcade. She had been advocating, and they had been advocating, for more than two years, and it's still not there. How is it that Quebec can do it so much faster? Why is Ontario so slow?

Mr. Mitchinson: First of all, I don't know the specifics of that particular product. It's a matter of the way you look at it. In reality, if you accept that if a product is approved by Health Canada, which means it's safe and effective, and you assume that by and large medicines are one of the more efficient ways, if not the most efficient, to treat most conditions—you could argue that from a number of points of view, not only just getting better, but the quality of life: You're not in the hospital; you don't have to undergo as many personal rigours. I think that for a long time Quebec viewed that as net-net: You have a better benefit in taking the opinion of the physician, the opinions of the patients and that of the government and putting a product on their formulary. That worked pretty well for them.

In Ontario, we've had a different system, which has its own merits and demerits. Basically, the role of the physician and the physician expert is not as well recognized, and there is no role for the patient in the decision-making. As a result, it tends to be left to a fairly narrow group of people with a set of very high bars as to what would be covered and what won't be.

The issue gets into the following: You can find an awful lot of examples of products, and perhaps the one you're referring to is an example, where there's not a good reason why it should take that long. It doesn't make

a lot of sense. Part of our submission is simply asking: Let's understand what's working, but let's understand what's not working, and fix it. It can't be that tough. Nobody is asking for things to be covered or paid for that don't pass a decent test of benefit and cost, but let's not needlessly delay. We've seen too many examples of that lately, particularly in the field of cancer.

Mr. Prue: The woman who was sitting across the table from me was part of a clinical trial. She had had the medicine, and when the clinical trial was over, she couldn't have it any more. That just seemed to me to be bizarre, because it was working.

Mr. Mitchinson: There has been a shift in the past year, where the Ontario cancer authority has ceded to the drug benefit plan much of its right of decision-making; you could argue that there's an efficiency in having one body make those decisions. On the other hand, I'm not sure the transition has gone as well as it could. One thing we would advocate—we all know what these products are well in advance of their coming to market. It's not that big a secret; there are clinical trials. Why not work through the process of understanding what should and shouldn't be covered well in advance of its arrival, instead of waiting for a submission to arrive on the day it has its notice of compliance? There is just one simple way we could look at this right now, and that maybe would help with that situation.

The Chair: Thank you for your presentation.

CASCO INC.

The Chair: Casco Inc., would you please come forward. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning. I would ask you to identify yourself for our recording Hansard.

Mr. Jim Grey: Thank you. I'm Jim Grey. I'm the president of Casco. I'd like to thank this committee for the opportunity to discuss our issues within the ag sector. I apologize for the fact I have no pre-documented comments, but perhaps you'll permit me to just talk off the top of my head for a period of time.

Let me start by telling you very briefly who we are. Casco has been in business in Ontario for roughly 150 years. We are a significant part of the agricultural-industrial sector. Our job simply is to process corn into a variety of starches and sweeteners. We service both the food and industrial sector industries, such as soft drinks, brewing, baking, processed foods, and the paper corrugating and wallboard industry. We process a rough equivalent of 25% to 30% of the Ontario corn crop annually.

We're also part of a very highly integrated supply chain, literally from the farmer's field to the grocery store shelf. We do that as part of our three operating facilities within Ontario though the purchase of Ontario corn and supplying Ontario customers. So the impact of any part of that supply chain—both positively or negatively, the influence is felt throughout that supply chain.

Obviously, there are many issues that we are facing today, and they are not all within the scope of this committee's work. But first let me comment that, like most of the manufacturing sector in Ontario and in Canada, we are facing significant pressure from the value of the Canadian dollar and the cost of energy within Canada. I'd like to encourage the committee to contemplate, in its role going forward, the support to help mitigate the impact of very, very high energy costs while maintaining our commitment to the Kyoto Protocol in Canada.

1420

Most significantly for us, however, as part of that supply chain, is Ontario's farm crisis. I've already heard comments about that today. Our suppliers of our most important raw material, being corn, are Ontario corn farmers. To put it very mildly, or bluntly, their input costs are far greater than the value of the product they are selling. Arguably, the root cause of this is the fact that their commodity is priced through the Chicago Board of Trade, and US farm policy has a significant distorting trade impact on that good.

The farmers, in a last-ditch effort, have launched a countervail duty anti-dumping suit through the CBSA, the Canadian Border Services Agency. As a result of that, a preliminary duty for their product has been established. A duty of imported corn into Canada from the US has been established at \$1.65 a bushel. Both sides agree—and I talk regularly with the corn producers—that this is fundamentally a lethal remedy to a curable disease.

I recognize, and I don't envy, this committee's job. You have limited resources and you have hands out in health care and education, infrastructure and many things to consider. But I would ask you very sincerely to contemplate ongoing farmer support in this province, recognizing the fact that the federal government has a proportionate duty to support our agricultural community as well. Thank you.

The Chair: And thank you. We'll begin this round of questioning with Mr. Prue of the NDP.

Mr. Prue: I didn't think it was my turn, Mr. Chair. I believe it's the Conservatives' turn, but I will—

The Chair: Oh, I'm sorry. You're quite right. It's the official opposition.

Mr. Hudak: Thank you, Chair.

Jim, it's great to see you. I know my colleague Toby Barrett, the ag critic, has some detailed questions for you. I just wanted to thank you for coming here. Casco is a major employer in my riding, and a very active corporate citizen as well. I just want to say that I appreciate your leadership on this too in developing a win-win situation for the jobs at Casco as well as Ontario corn farmers.

Mr. Grey: Thank you.

Mr. Hudak: I know my colleague has some detailed questions.

Mr. Barrett: The issue of Casco and the corn countervail came up at our last day of hearings in Cornwall as well. You have a plant down there as well.

Mr. Grey: Yes.

Mr. Barrett: Actually, a number of months ago the Minister of Agriculture was questioned about this Canadian International Trade Tribunal decision. Obviously, there is subsidization south of the border. The action that was taken, if anything, has certainly raised the awareness of that subsidization and, in my view, has raised the awareness of the importance for both the Ontario and Canadian governments, and other cash crop provinces, to meet this US farm bill at least partway.

Having said that, and I know Mr. Hudak raised this issue in the Legislature as well, we're not clear where the Ontario Minister of Agriculture stands on this issue. I think there is a role for government when you have competing interests, if you will. I understand the situation of the corn farmers. Part of my income comes from corn. I also, and certainly through Mr. Hudak, understand the needs of farmers who are feeding livestock, our growing ethanol industry and, obviously, Casco. Has the minister been of any assistance? Is there a role for government to try and resolve competing interests?

Mr. Grey: Very much. In fact, I met with Minister Dombrowsky late in the fall. To the best of my knowledge, we were anticipating a level of support from the provincial government, but obviously that support has got to be matched proportionally by the federal government. There was an announcement very shortly after that meeting from Minister Mitchell of the \$750-million or \$755-million, I believe, support mechanism. My facts may be inaccurate. But when all is said and done, that \$750 million sounds like a great deal of money, and it is a great deal of money, but when it came down to the cheques that the farmers received in the mailbox, it was insignificant. I think what Minister Dombrowsky is looking for is the quantity and a delivery mechanism from the federal government that she is contemplating as well, so that it is targeted and very effective. To date, we haven't seen that.

Mr. Barrett: There's no question that at \$755 million—that's national; about \$120 million provincially—it isn't going to meet the need. I guess we have a situation where the industry, certainly the ethanol industry, is now facing very high-priced corn. I think they are in a position where they are quite justifiably asking for assistance to continue to use high-priced corn. There is an ethanol fund sitting there. Do you feel a similar argument could be made for other industrial processes, like the Casco operations?

Mr. Grey: I certainly have a somewhat personal bias that, yes, I think there should be. It's difficult for us, as Casco. We are essentially the only one of our kind left, certainly in Ontario and definitely in Canada, so it does appear somewhat self-serving. There is an ethanol mandate now in Canada, and this complaint with the CBSA is certainly contrary to that mandate. There is no such mandate in Canada that says, "Processed food shall be made with domestically processed corn." If there was such a mandate, yes, there would be a vehicle for support of our industry buying higher-priced corn. Let me just make it clear: I don't mind higher-priced corn. I'll pay \$4

a bushel for corn as long as my competitors in the United States are paying \$4 a bushel for corn.

The Chair: Thank you. It's good to know the committee is actually following me along. Now we'll go to Mr. Prue of the NDP.

Mr. Prue: You talked about energy costs at first. In terms of Casco, how much have your energy costs gone up in the last number of years? The reason I'm asking this is that when we were in northern Ontario, particularly the pulp mills said that—not so much where they were cutting board, but the pulp mills—they had gone up to the point that they're all closing down. They're not competitive any more. That's the end. Is the same thing happening to your industry?

Mr. Grey: Very much. Our plants are very energy-intensive. Our process is called corn wet milling, and that implies there's lots of water and lots of energy. I think I'd be safe in saying that in the last five years our energy costs have tripled. Other than corn, it is the highest single input cost we have to date. It probably represents about 40% of our input costs. So it's very significant.

Mr. Prue: The government had proposed, prior to the election, capping the cost of electricity. Should they be looking at going back to that promise?

Mr. Grey: Long-term, I'm not sure that that's the right answer. Again, it's not just the cost of electricity. We produce our own electricity in most of our facilities. What is really impacting us is, given the fact that we have signed the Kyoto Protocol in Canada, we are forced to burn natural gas. Our competitors in the United States will burn coal, wood, tires, garbage. I'm not suggesting that we do that and dismiss the Kyoto Protocol, but that's really the fundamental competitive issue we have.

Mr. Prue: In terms of farmers, we have heard as well from some farmers particularly about US subsidies, but really subsidies that exist all over Europe and in Japan, where the farmers are given a fairly hefty sum of money before they even plant anything—\$50 or \$100 an acre or whatever, depending on the country and the location. That's expensive, but should Canada be doing the same thing as most of the European countries, the United States and Japan? Most of the OECD countries are doing some form of subsidy, which I don't think we are.

1430

Mr. Grey: We are doing some limited subsidization, but not nearly to the degree that the United States is. I heard a recent statistic that between 40% and 50% of the corn farmers' income in the midwest United States is from government subsidization. Again, long-term, I don't think that's the right answer at all. I know that the United States is under significant pressure, primarily from developing countries around the world, to start to eliminate farm subsidization in the upcoming farm bill in 2008, but being realistic, I don't think we're going to see that any time soon. I guess our question is, are we going to allow our agricultural base in Canada and its associated industries to diminish and decline while the United States maintains those sorts of farm policies?

The Chair: Thank you. Now we'll move to the government.

Mrs. Mitchell: John and I will be asking a couple of questions here. Thank you very much for coming out today.

I just want to reinforce the comment you made, Jim. You were quite correct in what you said: We need federal support. We know that corn protection cannot go on as it is right now. With that being said, I need to get from you a better sense of how the countervail is affecting Casco.

Mr. Grey: Again, it's not over and, unfortunately, won't be over probably till the end of this year. I can say it easily from an arithmetic perspective: US\$1.65 per bushel duty and we process 25% to 30% of the Ontario crop; that's 60 million bushels a year. If all of that duty flowed through to domestic bases, that's \$100 million. That's significant.

Mr. Wilkinson: Jim, I was up in Molesworth meeting with Ron Coghlin, and we were talking about that. You were saying—it's a great quote—that it's a lethal.

Mr. Grey: I'd like to say it was mine; it's not. I borrowed it from someone.

Mr. Wilkinson: Yes, but it's so accurate. He was showing that it's actually setting it up. Because you can get your duty back when you ship into the US market, it's actually incenting large producers like you to source from the US.

Mr. Grey: That's correct.

Mr. Wilkinson: Which, I'm sure, was not the intention of the corn producers when they started this whole process.

Mr. Grey: And it's not our desire either.

Mr. Wilkinson: Exactly. The minister was very clear when she was in my riding. She has put on the table our share of market revenue. We need to have a multi-year plan to get us over to the new round of APF. That's important. It's got to be sustainable. Farmers have to buy in, and they have. They helped design the plan. Any assistance that you can give us and the Farmers Feed City people as we lobby the federal government to see the light and go to that program because, without that, you're absolutely right, the countervail will hold—I know there's some discussion about trying to get it down right now, but the decision's already been made and has had a perverse impact on the market.

The Chair: I'll give you a chance to respond, if you like.

Mr. Grey: I agree.

Mr. Wilkinson: We're on the same page. We need you.

Mr. Grey: I'm there.

The Chair: Thank you for your presentation this afternoon.

WELLAND AND DISTRICT HUMANE SOCIETY

The Chair: Now I call on the Welland and District Society for the Prevention of Animal Cruelty to come forward, please. Good afternoon. You have 10 minutes for your presentation and there may be 10 minutes of

questioning. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Ted Bettie: My name is Ted Bettie. I'm the manager of the Welland and District Humane Society. I'm presenting this afternoon on behalf of the Ontario SPCA.

The Welland and District Humane Society is a non-profit organization that is dedicated to the well-being of animals. We provide shelter and care for animals in our community that have been abandoned, abused, neglected or injured. We serve a very large area: the city of Welland, as well as Port Colborne, Wainfleet, Pelham, Haldimand county and West Lincoln.

Our guiding principles are: to act to prevent cruelty, physical pain or suffering to any animal; to encourage consideration, respect and compassion for all animals; to assist in the enforcement of all laws designed for the protection of animals and to secure, by lawful means, the arrest, conviction and penalties for persons who abuse or neglect animals under such laws; to set high standards for improved animal care, welfare, protection and shelter; to educate the public on animal welfare issues and animal protection laws; and to advocate for and function within the laws and in co-operation with government, industry and research representatives improving conditions for all animals, maintaining a balanced sensitivity toward animal and human needs.

We are an affiliate of the Ontario SPCA. In our functions we do not receive any government funding to operate our programs and to fulfill our legislated mandate.

The Ontario SPCA is also a non-profit charitable organization committed to putting an end to animal cruelty. The Ontario SPCA's mission is to facilitate and provide for province-wide leadership on matters relating to the prevention of cruelty to animals and the promotion of animal welfare.

Through the dedication of staff and community support, the Ontario SPCA branches and affiliates provide care and shelter to tens of thousands of animals every year. Under the Ontario SPCA act, the Ontario SPCA and its branches and affiliates are mandated to enforce animal cruelty laws. Animal protection services are provided 24 hours a day, seven days a week, 365 days of the year, by trained Ontario SPCA agents and inspectors. They have police powers to enforce the act.

Under the new Dog Owners Liability Act, the pit bull legislation, we are also a named agency.

We are called upon by government ministries such as the Ministry of Natural Resources on a regular basis to perform services for the province, but these are unfunded. We receive no government funding to fulfill our mandate; we are dependent upon donations and fund-raising in the community.

We have seen a continual increase in the number of animal cruelty cases. Animal cruelty charges laid by the Ontario SPCA and its affiliates across Ontario have increased sevenfold over the last five years. The number of animals rescued has more than doubled. The number

of search warrants executed has more than quadrupled, and the number of orders issued almost tripled.

The pit bull legislation has caused an increase in our already limited resources and staff workload. The cost of additional agents, operational costs for trucks and equipment, required travel and an increase in calls have put a serious strain on the resources of the shelters. As we need to care for and protect more animals, our costs naturally increase.

We have worked very hard to maintain strong community support in Welland. However, due to the growing needs of our community, we find it difficult to keep pace with the demand.

Our costs are continually increasing. There is a rise in the number of cruelty cases. For example, cruelty complaints at the Welland and district SPCA in 2001 were 65, a few more than one per week. In 2005, it grew to 496, well over one per day.

Bill 132 has resulted in additional strain on the internal shelter operation: the holding of animals for cruelty investigations and related operational and medical expenses. Admissions at our shelter in Welland in 2001 were 726, which is roughly two a day. In 2005, it was 3,049, which is actually eight per day. A rise in investigations impacts on staff time and resources.

Our shelter is in need of repairs, but we have had to defer fixing it in an effort to find savings. Both the dog and cat adoption areas are seriously in need of complete renovation. However, savings achieved in this short-term fix will result in even more costs in the long term.

We are not in a position to financially support the operations in our community. The plan currently is to stop providing after-hours response and veterinary services and perhaps place the functions necessary on the police force. The police do not have the resources, capacity or training to provide these services currently in our area. We may be faced with devolving shelter services to the local government. As shelters close or reduce services, the demand on the remaining affiliates will become overwhelming.

The government provided one-time emergency funding to the OSPCA and commissioned an independent review of the agency and its business. Solutions lie in the government-commissioned report. The Grant Thornton report made several key recommendations: The government must provide interim funding to facilitate the stable operations of the Ontario SPCA and its branches until a long-term strategy is developed; the government must lead the development of this long-term strategy for the provision of animal welfare services; and it was recommended that this strategy should consider a review and also the development and consideration of a capital funding plan for government, including building renewal and new technology.

Although the government received this report in February 2005, it did not release the report to the OSPCA until late July 2005. These recommendations are of relevance to my local shelter, the Welland and District Humane Society, because anything that happens at the

level of the OSPCA also benefits and affects us in our community.

1440

Since the OSPCA received the Grant Thornton report, we have worked quickly to adopt any of the recommendations within its control—accounting updates and a review of our fundraising efforts.

What is disappointing is that the government has not moved on its part to implement the recommendations directed to them. The Ontario SPCA and its affiliates are frustrated that a strategy for the operation has not been developed, despite being told by the Ministry of Community Safety and Correctional Services that a strategy is being developed.

The Ontario SPCA has been invited to propose ideas to find new financial stability and for the MCSCS to take the lead. After several months, there has been no progress and it has been confirmed to us that our ideas will not be advanced. The Ontario SPCA has been clear that it is critical that a review is needed to proceed and has requested modest financial help to facilitate this. The MCSCS has said there is no money available to assist us, and has left it at that. In order for this review to work, there must be a demonstration of interest on their part. The government has never given a formal response to the recommendations in this report. The Grant Thornton report clearly states a plan of action, and we support that action as an affiliate of the Ontario SPCA.

We do have concerns. The Ontario SPCA has had to cut hard and deep in the past, and they are still facing a financial crisis, which will lead to making even more cuts to services and closures across the province. These decisions would need to be made without the benefit of a long-term provincial strategy—a strategy recommended by the Grant Thornton report.

As affiliates are faced with the same, very difficult decision, there could be service cuts and closures across the province. Cuts in services by the Welland and District Humane Society will lead to hundreds of unwanted animals being neglected and an enormous increase in the number of animal welfare issues that cannot be addressed. It is an outcome that makes no sense for our community.

We have found that making cuts in services may achieve short-term gains, but our experience in the past and currently is that the long-term gain costs even more and also affects our ability to fundraise in our community. It would seem more practical to establish some interim funding, allow the organization to do the internal reviews, allow government to consider a more relevant legislative framework and ensure that services are maintained by the animal welfare agency already in place, the OSPCA and the agents and branches in Ontario.

The Welland and District Humane Society is supportive of the OSPCA in their efforts to get the government of Ontario to act on the recommendations of the Grant Thornton report. Interim funding can assist with keeping the facilities open and operating in our com-

munity and will allow the Ontario SPCA the opportunity to reinvent itself into a viable and sustainable organization.

Our proposal is a partnership with the government. We urge the government to provide interim finance funding for the Ontario SPCA and its affiliates, conduct the requested review of the Ontario SPCA and support a legislative package, as Bill 105, that would be an interim step in giving the Ontario SPCA the legal and financial tools that it needs to advance animal welfare. With this partnership, the OSPCA and its affiliates would be able to continue to provide the necessary animal welfare services for the province of Ontario.

That concludes my report.

The Chair: We'll begin now with Mr. Prue.

Mr. Prue: We've been in a number of cities and had similar things said to us from other SPCAs. So I'd like to ask directly what's happening in Welland. What's happening to your SPCA? What's happening in terms of funding, city involvement, requests and things in Welland?

Mr. Bettle: I appreciate the opportunity to express that. We are in a situation where we do a great deal of work on behalf of the OSPCA. We were mandated in all those communities that I mentioned that we cover. Those services, though, are provided only by fundraising and support from the community in many ways—whether we are in someone's will. The money comes only from that source.

There are two elements with most of the affiliates in the province. We do animal control work, and we do the work of the OSPCA. The animal control work is done through the municipalities, and we are paid for that service. We present a cost-for-service program to each municipality and are paid for our work.

Unfortunately, we have faced a continual increase over the last three years, as I'm sure you've seen from the presentations across the province. The required work on our behalf is continually growing. We do a cost basis. We're a non-profit organization. We simply are funded for the animal control work we do. Over and above that would be the injured animal, a car accident on the highway and two animals involved in it. We rush to the scene and rescue those animals. The police force would take care of the balance, but it is our function to do that. If an animal is hit on the road, that's our function. If there is wildlife hit by vehicles, that's our function, but we are not paid for that. That is done strictly through donations. That requirement is continually increasing, and we cannot keep pace. The demand for the dollars to support something like this has constantly increased. We are certainly not the only ones, as you fully recognize, asking for support in the community. It has been more and more difficult for us to keep pace.

The difficulty is that we have no continuity. Fundraising is not a certainty; it's only a hope. To maintain and exist in the community and provide the services, we need a stabilized flow of revenue to assist with that work. We can, in many cases, be in shortfall for three months

and have no cash flow, and then be fortunate enough to fundraise and raise money, but we are terribly in the hole and climbing out. It's a very difficult position to be put in.

The Chair: We'll move to the government.

Mr. Arthurs: Thank you for the presentation. Whether you said it and I just didn't catch it, but specifically, if you could, what's your annual operating budget? To what extent is that funded through your fee-for-service provision and how much on your fundraising, approximately?

Mr. Bettle: I have those figures in my head. In the Welland and District Humane Society, I have a budget of approximately \$800,000 a year. Wages and equipment represent the lion's share of that, almost 75%. We have effected many cost savings over the last year. I have arranged for free food from one of the major manufacturers, which has cut our costs considerably. We are in a position, though, where the animal control aspect is roughly 50% to 60% of our work, and that is funded by the municipalities, but 40% of the work we do is in fact through the OSPCA. As I said, that is primarily funded through donations.

We are struggling in all cases. It is difficult to run an organization like a business and be a charitable organization at the same time and provide charity-sponsored funding of services. Our cost-for-service basis for municipalities is just that. It's not that we're making a profit that we can spill over to help with our OSPCA work. It is a constant struggle.

The people who do this work are highly trained. It's a very difficult job, and they should be paid for that. It's a very dangerous job sometimes as well. But it is a circumstance where you need qualified people. They need the training. They need the expertise to do it correctly.

Mr. Arthurs: A second question if I could. Do I have some time left?

The Chair: A minute.

Mr. Arthurs: On the capital front, we've had a number of witnesses from around the province on this matter. Among the deputations have been comments about a need for renewed infrastructure, that the facilities they're working in are not up to standard. It would be my view that they certainly wouldn't, to the extent that that's the case—I'm saying it's not at all—encourage the public-private sector engagement in fundraising if they can't see some bricks and mortar that will at least encourage them to say, "This is the kind of place where we should be managing animals." What's the kind of infrastructure you're working with? Is there infrastructure renewal, or is it relatively new and adequate?

1450

Mr. Bettle: I'm working in a shelter that's nine years old, so I'm fortunate. The difficulty with the shelter is that I have the old original building sitting beside me; I haven't been able to afford to tear down, which is probably somewhere in the neighbourhood of a \$25,000 to \$30,000 expenditure. It is sitting there unused, and in fact the city has asked me to take it down, but I can't afford to do so.

The unfortunate thing is I have a nine-year-old building that wasn't properly constructed because the original budget was, I believe, somewhere in the neighbourhood of \$500,000 to \$600,000, and when they started building it, we had \$300,000 to build it. So I have a building that is sorely in need of additional expenditures to maintain it, with a roof that I know is going to have to be replaced. Part of my facilities were only partly done. I have outside runs that have never been finished. We're working on doing that now, with volunteers and local people with supplies. But the money is just not there to do it properly.

One of the difficulties is, I face two adoption areas that aren't properly set up. The whole idea behind this is that I would bring animals in and hopefully have them adopted as quickly as possible. Without that kind of facility, it really restricts my ability to do that job.

The Chair: Thank you. We'll now move to the official opposition. Mr. Hudak.

Mr. Hudak: Thank you, Mr. Bettle, for the presentation. As you've heard, I think this is the fifth presentation by a humane society, so the pack approach is getting the message through very loud and clear. I expect that you'll see the committee react to the presentations that you've made.

I wanted to go off topic a little bit. You mentioned the pit bull legislation. With the benefits of the BlackBerry, I pulled up a story that was in the Brantford Expositor in late November. It says:

"Hamilton's humane society has saved six pit bull puppies destined for death under Ontario's new law by flying them out of the province.

"The Hamilton-Burlington Society for the Prevention of Cruelty to Animals put the abandoned pups on a WestJet flight from Toronto to Vancouver because British Columbia does not have restrictions on the breed.

"All six were destined for the veterinarian's lethal injection because they had to be classified as strays. Jim Sykes, the local SPCA president and chief executive, says he arranged Friday's unusual air rescue because new provincial legislation 'is effectively a death sentence' for any abandoned pit bull" or their puppies.

Mr. Bettle: I'm aware of that story in the paper. It's very difficult legislation to implement and work with. We really don't have all the pieces in place to be effective in our communities. If you are asking me what I would have done in what happened at the Welland Humane Society, technically, right now, any puppies that are born that are pit bulls are illegal in this province. They would have to be removed; that is the legislation. That's not my view and it's not the view of the OSPCA, but it is in fact the reality of the legislation.

We have worked very, very hard in the Welland Humane Society area to facilitate anyone with a pit bull, to work with them. We spent a great deal of money creating a pamphlet that went out long before the legislation was implemented. I'm very, very pleased with that. We have had very little difficulty in compliance—very little, although it is an ongoing circumstance. We do a lot of work with the agents and inspectors visiting

people and dealing with the difficulties that this pit bull legislation corrects.

The problem is, the legislation shouldn't have been directed towards the breed; it should have been directed towards the owner. Then, we could deal with it. We are somewhat handicapped in being faced with a simple summons to court for that individual. I am presently working with all my municipalities to create a local bylaw that allows us to deal specifically with the pit bull legislation so that I can deal with every individual on a more proactive basis. I think that may be the answer. Most of my municipalities are very supportive in this regard.

The Chair: Thank you for your presentation.

ASSOCIATION OF ONTARIO HEALTH CENTRES

The Chair: I call on the Association of Ontario Health Centres to come forward, please. You may sit anywhere you like there. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard. You may begin.

Ms. Denise Brooks: Thank you. My name is Denise Brooks, and I'm the president of the Association of Ontario Health Centres.

Mr. Scott Wolfe: And I'm Scott Wolfe. I'm the senior policy analyst for the Association of Ontario Health Centres.

Ms. Brooks: Thank you very much for the opportunity to be here and present to you. The Association of Ontario Health Centres is a policy and advocacy organization for non-profit, community-governed, interdisciplinary primary care in Ontario. We currently represent 54 community health centres, 10 satellite community health centres and seven aboriginal health access centres, or AHACs, throughout the province.

In communities across Ontario, CHCs and AHACs are leaders in health care innovation. We deliver a unique combination of interdisciplinary primary health care, illness prevention and health promotion services, along with community development and support programs. In caring for and supporting hundreds of thousands of Ontarians, CHCs and AHACs play a very critical role in the health delivery system. We do so by ensuring that primary health services are able to reach a diverse population of people across this province, many of whom face significant barriers in accessing those services. We act as a Ministry of Health and Long Term Care identified vehicle for the implementation of municipal and provincial primary health care strategies such as the diabetes, asthma and Early Years programs. We integrate health services at the community level, and have a great deal of experience in developing intersectoral partnerships and building community capacity. Certainly, community health centres and AHACs reduce the burden on

acute care and long-term-care institutions and the overall costs associated with those services.

In 2004, the Ontario government embarked upon its journey to transform the province's overall health system. This plan provides a long overdue opportunity to realign and orchestrate the vast array of health service providers, institutions and bureaucratic structures in important ways. If planned soundly and resourced appropriately across the various sectors of the system, this transformation can help to achieve a sustainable system characterized by innovation rather than crisis management. Of course, this vision of change, far from daunting, is at the very core of our beliefs as CHCs and AHACs. Through our innovative services and programs province-wide, both CHCs and AHACs have long espoused this vision, focused on strategies to keep individuals and communities healthy, in distinction from the treatment-oriented focus that has traditionally predominated in much of the health system.

Primary health care and community development programs at CHCs are mutually reinforcing, helping Ontario to achieve significant savings to the overall health system. Much of the research points to compelling evidence of the system-wide advantages of the CHC and AHAC models. Consider, for instance, that in 2003-04, the average cost of one in-patient day at Ontario's hospitals was \$1,270. Then consider the following highlights from Canadian and US research that has come to light: Savings from avoided hospitalizations are 13% to 38% greater for CHC clients than clients of fee-for-service physicians; reduction of hospital stay lengths is 23% to 31% shorter for CHC clients versus clients of fee-for-service physicians. In view of a steadily increasing provincial health system budget, these accumulated savings from avoided hospitalization alone clearly speak to the advantage for the province of a robust network of CHCs and AHACs.

1500

There's no doubt, therefore, why on December 16, the Minister of Health and Long-Term Care, the Honourable George Smitherman, referred to CHCs as the best vehicle for promoting healthy lives and healthy communities. This followed on the heels of the minister's November 2005 announcement of a significantly enhanced role for CHCs in the provincial health system transformation plan. This role includes \$74.6 million to expand the number of CHCs in Ontario by 60% by 2007-08. By 2008, once rolled out, no fewer than 550,000 Ontarians will be able to access primary health care in the province through a total of 103 CHCs and satellites.

It's important to note that a large portion of new clients who will receive access to primary health care through this increased CHC presence face barriers in accessing services. They would otherwise face significant obstacles in receiving services through other models of primary care due to a range of factors, including language, race, culture, geographic isolation, physical disabilities and other factors.

In return for this investment in CHC services, the enhanced health of ever more Ontarians will give back to

the province healthier communities, greater social capital and increased productivity for the province as it competes in the global economy. Ultimately, CHCs and their provincial association have seized this opportunity to contribute in an even greater way to the health of Ontario and the sustainability of its cherished health system.

In terms of that, what are our recommendations? First of all, AOHHC wishes to acknowledge and express its sincere appreciation for the Ontario government's support, in 2005, for its commitment to community-governed primary health care. These signs of commitment were demonstrated, as I said, by:

- the announcement of \$74.6 million in new funding to create 22 new CHCs and 17 new satellite CHCs by 2007-08, and to increase staffing and program capacity at existing CHCs;

- \$15 million in new support for 69 diabetes care and education teams province-wide, of which 25 are community-health-centre-based;

- \$1.2 million in funding for new and refurbished diagnostic and medical equipment at 50 of the province's CHCs and its 10 AHACs;

- commitment to transferring funding for CHC-based Early Years programs from project-based to core annualized funding in order to support greater planning and service capacity; and

- finalization of a new compensation package for CHC physicians, including new salary ranges with a 2.41% base adjustment, as outlined in the 2004-08 OMA agreement. That was retroactive to April.

Bearing this in mind, there remain several outstanding challenges faced by both CHCs and AHACs. Most evident—in case you're wondering why I'm here—is the fact that the government has not yet committed to including the aboriginal health access centres and, by extension, aboriginal communities in the expanded primary health care mandate that has been developed for CHCs and the communities that they do and will serve. In addition to aboriginal primary health care needs, the AOHHC has presented two other urgent needs here, along with a request for additional support from the government in 2006-07.

This is basically broken down into three areas: increased human resources and operational funding support for AHACs, increased capital funding to enhance the capacity of CHCs and AHACs, and funding to ensure more effective primary health care planning and enhanced service capacity in Ontario.

So we look at the specific recommendations.

(1) Increased human resources and operational funding support for AHACs. AHACs have not, to date, been included in the expanded provincial mandate given to CHCs within the health system transformation plan. The AOHHC is hopeful, however, that the coming year will see additional government measures to enhance equity in aboriginal primary health care and to better incorporate the AHACs into this renewed mandate for community-governed health care.

As a measure of such commitment to expanding similar services for aboriginal communities, it is critical

that the Ontario government first take steps to ensure equity for existing aboriginal centres. Details of this need have already been provided in the policy paper *Waseskun: Enhancing Aboriginal Primary Health Care in Ontario*, presented to the Ontario government in November 2005. Based upon the principles espoused in that document, we specifically recommend:

- new salary, benefits and operational funding for AHACs: \$1,234,249 in new, annualized salary and benefits funding in 2006-07 for the province's 10 AHACs, and \$3,122,644 in new operational funding for the province's 10 AHACs. Total new funding recommended for fiscal year 2006-07 for Ontario's 10 AHACs is therefore \$4,356,893.

- commitment within the language of the 2006-07 budget to expanding access to culturally appropriate primary care services for aboriginal communities from the 18% to 22% current coverage rate to a rate more in line with non-aboriginal communities.

(2) Increased capital funding to enhance the capacity of CHCs and AHACs. Several of the AOHHC's existing member centres have the ability to expand the scope and reach of their services but are hindered by a lack of physical space to deliver more than they currently are and to expand their client list. What is even more critical, though, is that many of them are at a point where this is a possible or potential health and safety issue. As a result, many of the centres have conducted their own assessments of physical and capital needs, upon which requests for financial support have been based and submitted to the government. A good number of these documented needs have been sitting with the Ontario government for years. Numerous other CHCs and AHACs in similar predicaments need to conduct this assessment planning through which capital needs may be properly identified; however, this has not been supported thus far. These needs are urgent and relate not only to the desire, in select cases, to expand access to services but more to the need to provide safe and appropriate environments for clients and health centre staff alike.

The Chair: You have about a minute left.

Ms. Brooks: Thank you. We therefore ask for an investment of a minimum of \$16 million in 2006-07 in capital programs for existing community health centres and AHACs. We ask that you develop a prospective plan for CHC and AHAC capital funding, like the health infrastructure renewal fund for hospitals, which would address the serious needs on an ongoing basis. Thank you.

The Chair: We'll begin this round of questioning with the government.

Mr. Wilkinson: Thank you for coming in and telling us about what really is a success story today but particularly for the future. You weren't able to get to this part of your presentation, but could you just outline your experiences with your model and the new family health team model, the interdisciplinary model that's being promoted? In my own riding of Perth county, every physician is now part of a family health team, so we're

kind of the cutting edge of that. But it looks to me like we're just catching up with you. Could you talk about that relationship? You have some to which you've been providing advice to help the FHTs roll out successfully.

Ms Brooks: Absolutely. The family health teams have been able to benefit from the long history of community health centres, and we have indeed been able to sit at the table, both at the family action team table and by helping in the community. There are sort of two streams of family health teams, one known as community-governed and the other provider-governed. Particularly, the community-governed family health teams have been working with and modelling very closely on the community health centres. The family health teams that are provider-driven have a multidisciplinary approach, but it's a little less uniform than that of the community health centres in that it doesn't necessarily have a community development capacity; it is not community-governed. But the lessons around interdisciplinary care, around health promotion and illness prevention, those aspects, are very much incorporated, or will be incorporated, into the family health teams.

Because the communities are the things that are primarily different—with the exception of two of the family health teams, where one is focused on homelessness and another on inner-city needs—most of them are intended to provide services to what is identified as the general population. Community health centres are the model that has been identified to provide services for those who experience barriers in accessing. In the province of Ontario, the estimate of that population, as you can imagine, is high and growing, considering that barriers are based on race, language, culture, geography, cultural isolation and a host of other factors. That population is significant and growing. The family health teams are intended for a population that is considered to be general, but have lots that they could learn.

1510

Mr. Wolfe: If I may add to the points raised by Denise, as one of your peer committees will be hearing from the AHOC next week relating to the proposed Local Health System Integration Act, the reform that's currently under way in Ontario poses tremendous potential benefit to the system. However, challenges are going to be faced there in identifying needs at a new regional level, bearing in mind that there are two reform processes under way simultaneously; namely, primary health care reform, through the new family health teams and the move to a greater number of interdisciplinary care teams throughout the province, as well as this reform of the overall system. That means there's going to be a tremendous need at the LHIN level and on the part of individual communities to benefit from the experiences of CHCs locally in addressing complex care needs that more than likely the majority of these family health teams will simply not be able to address. Focusing on client populations that face barriers such as those that Denise mentioned and complex health care needs, including comorbidities, will mean that CHCs have a strong role to

play in helping to nurture primary health care services throughout the province. We have actively, as an association, been working with our CHC members to identify opportunities to partner with family health teams so we can put into effect, in essence, what we might term a hub model. That would mean that CHCs would be able to provide services in some of the instances where those complex care needs could not be met. Bringing it back to—

The Chair: We need to move to the next round of questioning.

Mr. Wolfe: If I may make one final point—10 seconds. The point—and this pertains to our third recommendation, which Denise was unable to touch on—is that there needs to be increased resourcing of this system planning for primary health care so that these supports we've just been speaking of can actually be realized.

The Chair: Now we'll move to the official opposition.

Mr. Hudak: Thank you both for the presentation.

My riding is in the LHIN known as LHIN 4, showing the creativity the Ministry of Health often demonstrates with that great name. Maybe 3 and 5 were taken, so we got 4; and we do have a new CHC coming.

What happened was, one community applied for a CHC, one applied for a family health team and then suddenly they found themselves merged by the Ministry of Health into one single CHC for three communities: Fort Erie, Port Colborne and Wainfleet.

Following on Mr. Wilkinson's question about the difference between the family health team and the CHCs, maybe you could shed some light on that. If one community asked for something different, it's kind of peculiar that they had something else foisted upon them.

Ms. Brooks: I can give you what we understand a good interpretation to be, but I certainly can't speak for the ministry or those who make those decisions, because even though the explanation will seem very clear, it's obvious that when it comes to making some decisions, some other factors come into play. They could be political, they could be resource, they could be that the local community has made a change of mind based on a limited amount of resources.

Community health centres, as I said, have been identified by the Ministry of Health and others as the primary health care model that will provide services to populations experiencing barriers to access, and they would do so most in line with the determinants of health based on the Ottawa charter. So it's looking at health, not just as a physical issue, although the physical aspect and the clinical aspect are very important, but also the other factors that affect people's health and well-being—housing, employment, education, discrimination, gender, ability—all of those factors that affect and impact on one's health and well-being.

In terms of the evolution from a fee-for-service practice to what they identify as the top of the scale, which would be a group practice where you incorporate some urgent care, maybe some short-term diagnostic

kinds of things, as well as the whole multidisciplinary team, the community health centres were seen as almost the next step.

The family health teams are intended to take those elements of the community health centre, such as interdisciplinary care, and provide those services to a population that is identified mostly as a well or general population, with the enhancements being based on that population. For example, if you're in Hamilton, which is LHIN 4, and diabetes is a well-known issue, then the family health team would work to have maybe a community dietician working with them in a partnership or on staff or some connection so that they would be able to deliver services to that population. But the population itself would not be necessarily one that experiences barriers in accessing any of those services; they could probably pretty well navigate the system. They probably don't need a lot of supports in doing that. That's the general intention. Sometimes that gets changed and merged based on other issues that certainly we don't have any input on.

The Chair: Now we'll move to Mr. Prue of the NDP.

Mr. Prue: In Toronto, there was a report a few years ago called Poverty by Postal Code. It seemed that one of the things of being poor is not having adequate access to medical care. I was just looking through the list of all the CHCs and AHACs, and it seems that in the Toronto area there are quite a few of them located in these areas identified in Poverty by Postal Code, and quite a few of them as well seem to be culturally sensitive. An example is the multicultural community health centre for native Canadians, Anishinabe. Centre francophone de Toronto. There's a whole bunch of stuff.

When you get out into some of the other LHINs, I don't see that at all. Is that a problem? I look at Mississauga, and there are currently no CHCs, satellite CHCs or AHACs—in LHIN 6, not one.

Ms. Brooks: Yes, precisely. We were taking a look at when the applications were coming forward and communities were working with the association on developing some of those applications and putting them forward. When I say that it's the general population—well, when you take someplace like Peel, when you do the demographics, somewhere around 60% to 70% of the general population is non-white, non-English-speaking, non-Canadian-born. So by old standards, old models, this has been described as a population experiencing barriers to access, but it is not one and the same. Sometimes, our social constructs have not caught up with what needs to be the models of how services are delivered in various areas and respond to those population needs.

So yes, one of our major concerns is that there is not a community health centre or an AHAC in every single LHIN. How do we know, then, how the services will reach those folks who do experience barriers because of language and race and culture, and how do we ensure that there are culturally competent, culturally sensitive services that will be delivered in those areas? It is a concern.

Mr. Prue: In terms of general health, it's been known ever since I was a boy that the aboriginal communities,

generally, had poorer health: lower birth weight babies, people dying at much younger ages, diseases, tuberculosis, alcoholism, the whole range. I'm hopeful that the AHACs will work where other things have failed. How are they going to be better?

Ms. Brooks: I think that they themselves also have a proven history. Although they are not identified as a program, they are still in project phase, and every five years, the project is renewed, which means that every five years, the health care status of people is reviewed to see whether or not there's still a need for aboriginal health access centres. That certainly puts everybody in a very precarious situation, but they work very hard and have had great success around areas of diabetes and other sorts of substance abuse issues, etc. But they're limited, and just the same way as you go to your family doctor, your family doctor can safely see and practise with a given number of people. After that, you need additional resources, or another doctor or another set of sources.

Some of the AHACs, as in others like the community health centres, are moving forward in providing services. They've set up satellites and others, but they need resources. This is a strategy that was developed many years ago that has not moved from the strategy stage to an ongoing program and a commitment saying that the health of aboriginal people in this province is important and we are going to make sure that it is part of our public policy, as every other primary care model is. Until that happens, every time they have to wait until hopefully somebody is either sensitive enough or there's a strategy like the diabetic strategy and there are some extra dollars thrown there. There are only 10 in the province of Ontario and one is not even at Six Nations, which is the largest reserve. This is a very growing concern that we continue to bring forward and have not yet been able to have addressed in a way that is at all meaningful.

The Chair: Thank you for your presentation.

TOWN OF FORT ERIE

The Chair: I call on the town of Fort Erie to come forward. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

1520

Mr. Rino Mostacci: Yes, good afternoon. My name is Rino Mostacci. I'm the director of community and development services for the town of Fort Erie, and I'm joined by two of my colleagues, Mr. Ron Tripp, who is the director of infrastructure services for the town of Fort Erie, and Margaret Neubauer, who is the director of corporate services for the town of Fort Erie. I also bring greetings on behalf of the mayor and the municipal council of the town of Fort Erie.

I'd like to thank you for the opportunity to speak to the standing committee and give our presentation. I should note that the handout that was given to you has been slightly revised in terms of the presentation. The

final presentation will be made available on the town's website at www.forterie.on.ca.

For those of you who may not be intimately familiar with the town of Fort Erie, it is one of Niagara's fastest-growing communities. We have a population of about 30,000 and are strategically located on the Canada-US border. From an economic perspective, Fort Erie is important as one of North America's busiest international border crossings. We believe that in the future it will emerge as Ontario's preferred crossing from an international trade perspective. To this extent, border-related commerce is affected by the capacity at the Peace Bridge and accessibility to the QEW. Efficient access to the Fort Erie border crossing is absolutely vital to the Ontario economy. As a result, we are experiencing major interest in terms of industrial operations in various business enterprises to locate in Fort Erie to take advantage of the accessibility provided by the QEW and the Peace Bridge. This is directly in line and consistent with provincial policy.

As you are probably aware, Places to Grow has identified a gateway economic zone that runs right through Fort Erie to the Peace Bridge. This is an excerpt from the schedule, Places to Grow. You can see Fort Erie at the southeastern limit of Niagara region, and the red line symbolizes the gateway zone, which essentially is parallel to the QEW through the area.

Fort Erie strongly supports the provincial designation of the gateway economic zone through the town and wishes to facilitate implementation, particularly with respect to job creation and investment opportunities. Our vision is to create a premier industrial business park located in Fort Erie serving all of Niagara, southern Ontario and upstate New York.

The proposed industrial park is designated in our planning documents. It's designated in the regional official plan. To give you an idea of scale, gross area is approximately 600 hectares. There are approximately 120 hectares that are classified as environmental lands, provincially significant wetlands, and about 120 hectares are undevelopable, as they are already used for highway purposes and landfill sites. The net industrial land available in the industrial park is approximately 360 hectares, and we envision approximately 120 development sites based on an average of about three hectares per site. So this is a major opportunity for industrial growth and job creation in this region.

Our goals locally are to diversify the industrial base and promote a strong economy. We'd like to attract and retain jobs and investment, partner with major industry and land developers, and encourage business development in innovative sectors of the economy. To give you some background, DMI, which is a wind generation company, has recently located in Fort Erie, specifically to take advantage of the accessibility and the position relative to the border.

Our objectives are to maintain a sufficient supply of shovel-ready sites; that is, sites that are ready to be developed. We have found that industrial operators and

enterprises are not land developers. They find the land development process cumbersome, so it's important to have sites that are ready to be built upon when they show up at the front door looking to establish their business.

Additional objectives are transportation and servicing infrastructure to support ultimate build-out of the industrial business park. We'd like to build on our competitive locational strength at the border by attracting upstate New York companies and to collaborate with all levels of government relative to the growth corridor, including the province and the federal government, as you have seen through the border infrastructure fund.

For those of you who are here, I'd like to point out a couple of specific projects. Gilmore Road is the main interchange that is currently accessing the industrial business park. A secondary point of access from the QEW is Bowen Road. The lines that you see are proposed lot lines and building sites for industrial operations. The blue areas are the provincially significant wetlands, which we would like to preserve in accordance with provincial policy. What you see as grey are the developable sites within the town of Fort Erie.

The success of the business park is directly related to accessibility to the border crossing and the availability of shovel-ready sites, as I have said. Improvements resulting from the Canada-Ontario border infrastructure fund have enhanced accessibility and efficiencies at the border. The next step is to enhance the ability to locate in proximity to the border crossing and take advantage of locational efficiencies as well as to relieve congestion throughout the GTA.

Currently, the QEW ramp infrastructure serving the Fort Erie industrial business park is deficient. Due to capacity constraints resulting from the existing condition, there is limited ability to accommodate new development. This is a serious threat. Ramp improvements must be undertaken almost immediately at the QEW-Gilmore Road interchange to allow pending development in the Fort Erie industrial business park. In terms of long-term sustainability, the QEW-Bowen Road interchange requires upgrading and connection to the QEW-Gilmore Road interchange via a service road.

The town of Fort Erie, in partnership with the region and private investors and developers, will take responsibility for all servicing improvements related to sanitary sewers and storm sewers.

The provincial role is to provide for the infrastructure improvements related to the QEW-Gilmore Road ramp improvements as soon as possible and a 2006-07 construction project listing for MTO, as well as to include the QEW-Bowen Road interchange improvement upgrade in the 2009 capital project listing for MTO.

That concludes my presentation.

The Vice-Chair: The questions will go first to the official opposition.

Mr. Hudak: Mr. Mostacci, thanks very much for taking the time to be here. Actually, Councillor Doug Martin was here in his capacity as regional councillor, with the chair and the police chief earlier today, so we had strong Fort Erie representation.

A couple of quick questions. First, with respect to the ramp improvements for the QEW and Gilmore, the Ministry of Transportation was initially looking at doing a marshalling yard when we had backups at the border with the trucks, which has not gone ahead. It's no longer needed because the improvements have been made. But that did save the MTO a substantial sum of money, which I would argue now should be put into the Gilmore Road overpass. Do you recall how much it saved the Ministry of Transportation?

Mr. Mostacci: Thank you for the question, Mr. Hudak. I recall that MTO had done a study some time ago relative to a fairly large-scale marshalling facility in the vicinity of Gilmore Road. They abandoned that at the time, and I think the price range was around \$40 million. It was quite substantial. Locally, we thought there were better alternatives, one being that improvements could be undertaken at the Peace Bridge relative to a number of administrative and processing options to facilitate the flow of trucks. As well, the private sector could be engaged to provide the marshalling facilities, which was done to some degree at Gilmore Road.

Mr. Hudak: A couple of more questions. If you could, on council's behalf—I know the mayor has been clear on this. With respect to the border infrastructure fund, I think the town of Fort Erie's preference is for those to be invested with the Peace Bridge and not to consider an Ambassador project through another part of town; secondly, a position on the mid-peninsula corridor. **530**

Mr. Mostacci: I'll go to the second question first. I don't believe the town has taken an official position with respect to the mid-peninsula, other than supporting it in terms of the need. I don't think they have expressed a position relative to whether it should go through Fort Erie or not. We're not at that point yet.

Relative to funding through border infrastructure being allocated to the Peace Bridge, the council has been strongly in support of upgrading the Canadian Plaza to facilitate the processing of commercial vehicles in particular. There is substantial advancement being made, as we speak, to the Canadian Plaza. As a result of that funding collaboration between the federal government and the provincial government, the truck queues along the QEW have been almost eliminated.

Mr. Hudak: Do I still have a second, Mr. McNeely?

The Vice-Chair: You have 30 seconds left.

Mr. Hudak: Great. Just on the wetlands issue as well, a new mapping of the wetlands from MNR has taken some of the development [inaudible]. Fort Erie has been placed as a place to grow. It seems like one ministry doesn't know what the other ministry is doing.

Mr. Mostacci: When we were thinking about presenting today, we were debating whether to challenge the subcommittee with respect to the infrastructure improvements or the wetland issue. The wetland issue has had a significant impact on developmental lands within the urban area. But our position is that, if that is provincial policy, we will accommodate that.

Overall, there is a significant amount of wetlands outside the urban area. The council's position is that those lands should also be preserved. They are an important part of the local ecology, and the residents of Fort Erie value those quite highly.

The Vice-Chair: Thank you. Mr. Prue, it's your turn.

Mr. Prue: We have heard from a number of municipalities across Ontario that the industrial base in their respective communities is declining. We know that in Ontario there have been tens of thousands of jobs lost in the last year in the manufacturing sector. This is sort of a little different. Do you actually have people building and manufacturing coming in, or is this just a hope?

Mr. Mostacci: We are experiencing, in the last two to three years, a visible increase in demand for industrial properties, mostly related to the fact that the Peace Bridge is being upgraded and that the firms in the GTA are looking to move elsewhere, where they're not constrained by the congestion that's being experienced in the GTA. Much of the manufacturing taking place in southern Ontario is shipped to the US, and it goes right by the front door of Fort Erie. It's an ideal locational advantage to be in this area.

I did mention that we have Rich Products, which is a US-based company expanding significantly in Fort Erie. DMI, a US-based wind generation company, is building a new facility in Fort Erie. We also have other firms in the metal processing areas recently announcing relocation from other parts of Ontario and the region to Fort Erie.

Mr. Prue: In terms of Fort Erie's economy as a city, as a town, are you undergoing many of the same things that other municipalities are in terms of having to increase the tax rates, being downloaded upon, those kinds of things, or are you better off?

Mr. Mostacci: Over the course of the last five years, the council has been quite effective in terms of maintaining an almost zero tax rate increase, benefiting from reassessment and growth to increase the levy. So the tax rate has remained essentially flat over the last four to five years. We are experiencing steady growth in terms of residential development. The challenge is to promote job creation. We need people who are in Fort Erie to stay in Fort Erie, newcomers to have an opportunity for employment and to retain the existing investment that we have.

The Vice-Chair: Mr. Arthurs, for the government.

Mr. Arthurs: The presentation has been quite specific, and I commend you for that. You've picked a target area and presented accordingly, particularly on infrastructure requirements. It's probably appropriate that the Vice-Chair is the parliamentary assistant to the Minister of Transportation, so your message is getting through to him to get it back to the minister. Your timing is very good.

There are a couple of things I'm still curious about. You've referenced that Fort Erie will emerge as Ontario's preferred crossing from an international trade perspective, and that's not just a sales pitch, I presume. There are good reasons for that, and I'd like to hear just a

little bit more about that in the time we have. Secondly, the shovel-ready approach: Are zoning and site planning in place at all? I'm not going to get down to the nitty-gritty stuff, the old municipal things, but is zoning in place, and some preliminary site planning, or just up to the zoning level?

Mr. Mostacci: There are two questions there. I'll address the first one, in terms of the Peace Bridge. We strongly believe that the improvements being made at the Peace Bridge will result in that border crossing at Fort Erie becoming Ontario's number one border crossing, primarily because of the congestion issues being experienced in the Windsor crossings.

You will see over time, once the Canadian plaza improvements are put in place and once the expansion to the US plaza has been completed, relative to the additional inspection booths, that we will have almost free-flow commercial traffic at the Peace Bridge. When you're moving goods, time is money. The logistics firms are telling us that a one- to two-hour delay at the Windsor crossings is not acceptable and that the Peace Bridge is a superior crossing in terms of expeditiously moving from the GTA, as well as the cost advantages in terms of the processing fees at the Peace Bridge.

The Peace Bridge is moving forward, as you know, with the binational, integrated environmental assessment for the new bridge. The jury has selected a new bridge prototype, and it's working its way through the US environmental approval process. We hope to see a new bridge under construction within three years.

The Vice-Chair: Thank you very much. That's the time. Thank you for the presentation.

ST. CATHARINES AND DISTRICT LABOUR COUNCIL

The Vice-Chair: We now have the St. Catharines and District Labour Council, Suzanne Hotte, president. You have 10 minutes for your presentation. When you start, just state your name for the purpose of recording Hansard.

Ms. Suzanne Hotte: Thank you very much for the opportunity. My name is Suzanne Hotte, and I am the president of the St. Catharines and District Labour Council. I have a person, Malcolm Allen, who will be joining me. We've just got a problem with the traffic. I will be submitting a written brief. One has to love computers: It chunked it up around 2 o'clock today.

Anyway, I want to thank you for the opportunity to address the committee. As president of the labour council, I represent over 15,000 workers in the St. Catharines area. Just to give you an idea, our jurisdiction is north of the escarpment between the Niagara River and the western limit of the town of Grimsby.

We are very concerned with the way the present government is looking at funding public infrastructure, first of all. P3s or AFPs, alternative financing procurement measures, are really a way of separating public service from its delivery. By contracting out the building

of our infrastructure via hospitals, schools and roads, to name a few, it throws the door wide open to private corporations, to private profit-making opportunities and, inevitably, to less money available to build, equip and staff the new facilities.

When we had a look—recently, the details of the Brampton Osler hospital deal were publicized—we found that, first of all, the government agreed to pay 2% above its own 10-year borrowing rate to the consortium. Conservative projection would see us being able to build one and three quarters hospitals for the cost of one P3.

I'd like to introduce Malcolm Allen.

Mr. Malcolm Allen: My apologies. Parking is always a problem in Niagara Falls.

1540

Ms. Hotte: And we'll talk about transportation later on.

Given the complexity of the agreements and the number of parties that are involved in these consortia, the legal fees that are incorporated into the overhead as well as management fees etc., it's well over \$25 million. Furthermore, the AFPs have a provision that the public takes on all the risk, and that would bring more costs if there are overruns or if the project is delayed.

We recommend that the government be firmly committed to infrastructure renewal and substantially increase the monies committed for capital expenditures. The government can issue bonds and thus use private money to finance public infrastructure. We're concerned about this in terms of the new cancer care centre and the St. Catharines hospital that have been announced recently. They would be AFP. We don't want the citizens of our region to end up with a smaller facility with fewer services and less equipment, and paying more and more.

Our second concern is in the realm of education. I think we all agree that Ontario's most valuable resource is its people. A well-educated workforce is paramount for our continued economic well-being, and we applaud the government's funding increases to primary, secondary and post-secondary education. However, in the case of primary and secondary education, there are still some fundamental problems, and they can be traced back to the funding formula. There really has to be an honest, good revisit of the funding formula to make some pretty drastic changes.

First of all, there has to be some provision for looking at those boards that are partially rural and urban. In our situation, we have numerous rural schools, but they are not adequately funded through the transportation portion of the funding formula. Where is the extra money going to come from? The first place it's going to come from is cutting back on staff, support staff and some programs.

The second thing is, the funding formula is based on 7.5 as the baseline. In St. Catharines, the District School Board of Niagara, it's 7.68 credits, and that translates into 18 teachers. We don't have those 18 teachers, so there has to be, once again, a realistic look at the number of credits or portions of credits.

Also, for the school boards, we still have to deal with pay equity in terms of whenever you have negotiations

and agreements, there are some changes, especially in benefits. The cost of benefits, as you know, has been increasing, so where does that money come from? We certainly want to see an increase in the number of support staff that we have: clerical, paraprofessionals, plant maintenance, secretarial. They all help the school function in a very good fashion and also to make sure that the school is in good repair and maintenance.

The other thing I'd like to talk about is post-secondary education. We'd like to see, once again, an increase in funding. They had been dramatically underfunded in the 1990s. The government certainly has put funding there, but we're still looking at students coming out with huge debt. I don't think we want our children to be saddled with a debt of \$40,000 or \$50,000 at the end of four or five years of schooling. The same applies with the colleges; students are coming out with debt. We need to do something to increase the funding so that it isn't the students who are bearing the brunt of the cost. And there has to be more funding so that the class sizes are smaller. To sit there and watch a TV monitor with 1,000 other students in year one English is a bit difficult.

In terms of public housing, we also need to see an increase in monies. Most of the units need quite a bit of maintenance and repair. We also need, once again, to add to the number of units of public housing.

I'd like to turn this over now to Malcolm.

Mr. Allen: As Sue said, my name is Malcolm Allen. I also sit on the labour council. I am financial officer of CAW Local 199 in St. Catharines and also a sitting councillor in the town of Pelham. I understand my mayor was here this morning with the CAO, Anne Louise Heron, to visit with you, so some of it may be somewhat redundant. Maybe he's already said some of the things, but let me talk about a few things that are specific to the town of Pelham, the most recent being, of course, the greenbelt legislation, which impacts our community to probably a greater proportion than many others in the province.

I happen to live rural in Pelham. It's a wonderful thing to live rural when you live on 25 acres and your nearest neighbour is a quarter-mile away, and you can wave at them. You don't necessarily have to interact with them that much, especially if they're not keen on you. I have a lot of neighbours who are not necessarily keen on me sometimes as being their neighbour, so that's why I live in the country, my wife would say. But 66% of the town is actually under the greenbelt legislation. That's a huge chunk of property, when you look at the town of Pelham.

What it's done to us is take a large portion of our town out of any kind of future development whatsoever and concentrate it into a very few locations. One may think that that might be somewhat advantageous for planning principles, and it is to a degree. The difficulty is that as we head to the future, Pelham is a desirable location to come and live in. Unfortunately, it's not a desirable location to set up industry in, nor to set up commercial business.

Consequently, as our mayor pointed out to you this morning, the preponderance of money we get to actually

run the town of Pelham comes from the residential tax base. Somewhere close to 77% of every tax dollar we need to run the town of Pelham—which actually has a very small budget; it's only about \$9 million—has to come from individual taxpayers. We do not have a large commercial base. We don't have a large industrial base. We have a great deal of industrial land out by the airport, but there isn't anybody out there presently. There are no industries there in that industrial base whatsoever.

Basically, we're a small community that runs on a shoestring budget, but here's where the big "but" comes in, obviously: We don't get any provincial gas tax money. We still have huge infrastructure needs, because we're a fairly large rural community that is diverse. It's an amalgam of some towns—Fenwick, North Pelham, South Pelham, Ridgeville and Fonthill—that are dispersed quite widely. When you drive through that gorgeous town of ours, you'll find quite quickly that you don't drive up and down what you would perceive to be rural roads, that is, tar-based with stone on top, with once-a-year water or some other chemical thrown down to keep the dust down. Those roads are all paved pretty well to provincial standard, for the most part, if not rural standard. We're finding, with an influx of people, that we now have to take it to a greater standard than before; roads then become not rural-standard roads but a higher standard, which indeed costs us a great deal of money.

The Chair: You have about a minute left for your presentation.

1550

Mr. Allen: Thank you. Let me just say that we don't have any CRF funding either. We've whittled that down to the grand total of zero. We were at the grand total of \$3,500 for about four years. Some of our residents suggested that we use it, actually, to hire a lawyer and sue the provincial government, but we didn't do that.

Interjection.

Mr. Allen: I know that, but they mistakenly thought it was someone else's fault. We decided to soldier on in spite of that.

Since time is short—I know you've seen a lot of this—clearly, there are a couple of things that are difficult for us. The pace of development is one, because it takes us into a cash flow timing issue. Basically, the only way we can improve the infrastructure is by development charges. The problem with that, as you know, is that if we don't get the things to come up in a timely fashion, we don't get cash flow, which means that if we have to do any sort of development, we do one of two things: raise taxes—quite frankly, our taxpayers are taking an exceedingly heavy burden as it is; as I said earlier, 77%—or we have to go into debt. I know my mayor gave you this stuff. When you look at the debt figures, we would be under a crushing load in the not-too-distant future if the timing gets out of whack.

What we need to look at is access to fair and predictable portions of monies based on the percentage we pay, and to structure awards of support so that all municipalities benefit. We need to redefine the OMIFA

grants so that interest rates are a bargain, and we need to support tier-one municipalities on a long-time horizon. We need exemption from PST, and legislation to limit municipal liability and eliminate the deep-pockets thinking. It's amazing how folks think that somehow we have deep pockets at that level, and somehow if they sue, we've got all kinds of money to give away.

We also want direct involvement in consultation on the design and finding local solutions to local challenges, the flexibility to accommodate differences among those municipalities and to establish a mechanism to assist small and well-managed municipalities, of which we believe we're one. Most of our budgets, you'll find, are either zero-based or in surplus—not a great surplus, but nonetheless small surpluses. I think that's a credit to the management of that community, not only of the staff of the community, who do the day-to-day operations, but those elected officials who preceded me who were able to take a hard line in a lot of cases to make sure things worked efficiently.

I'll wrap it up at that since I probably went over the minute. I appreciate the extension.

The Chair: We'll begin the questioning with Mr. Prue of the NDP.

Mr. Prue: You mentioned public housing. Public housing was downloaded to the municipalities in 1998, and I don't think most municipalities have ever recovered from that. Most of it was handed over in a pretty deplorable condition. The city of Toronto estimates alone—that the city of Toronto—that it will cost \$242 million to do the structural repairs or tear it down at this juncture.

You talked about building new public housing. Where do you think the priority of the government should be: to build new public housing or to repair stuff that has been downloaded to the cities?

Ms. Hotte: I guess the first thing they should do is upload it back, to start off with.

Mr. Prue: That's an even better answer.

Ms. Hotte: Certainly in St. Catharines they're looking at selling off the public units because they're in such a sad state of repair. So, first of all, repair, and second, build.

Mr. Prue: To date, in the first two and a half years of this government, they've built 63 units. There are more on the way, but there are only 63 occupied. Is that enough?

Ms. Hotte: Definitely not. Sixty-three units wouldn't even do it for St. Catharines. If you put one in each of the major municipalities of Ontario, it doesn't really help solve that severe shortage.

Mr. Prue: What's the waiting list like in St. Catharines for public housing?

Mr. Allen: It's probably about a five-year wait. Presently, there are two major undertakings in St. Catharines—and only in St. Catharines, not the regional municipality of Niagara. One is Women's Place, which is now relocating and is in a fundraising drive to come out of the place where they are. They bought an old school and they're going to renovate it.

The other project is with a group called Bethlehem Projects, which is transitional housing to try and get folks back on their feet. They're in co-operation with my own local union where we're going to supply about 40% of the labour free, gratis. That project has been approved by the federals and there's some federal money coming from SCPI and some other resources. But that's just the tip of the iceberg.

That project, which I've been involved in since the get-go with the mayor of St. Catharines, as well as Opportunities Niagara and Bethlehem Projects, has been on the go for three and a half years and we haven't put a spade in the ground yet.

The Chair: Now we'll move to the government. Mr. Wilkinson.

Mr. Wilkinson: It's good to see you again. Were you here in Niagara Falls before, a few years ago?

Mr. Allen: Yes.

Mr. Wilkinson: We're happy to be back in the Niagara region. We've had a wonderful welcome from so many communities. Your mayor was here earlier going over a lot of the same points. Particularly I'm interested in your proposal when you were talking about—you're saying that Pelham used to receive CRF funding.

Mr. Allen: That's correct.

Mr. Wilkinson: But they don't under municipal partners?

Mr. Allen: No.

Mr. Wilkinson: I remember the chart about basically your assessment base is residential, including farms. How much of that is farm?

Mr. Allen: The farming would be fairly low. Let me just grab this—

Mr. Wilkinson: So basically all residential?

Mr. Allen: The farming piece is pretty minuscule, from what I remember. You can never find a chart when you want it. I was pretty sure I had that one with me. Maybe I don't.

Mr. Wilkinson: But really there's not much of an industrial-commercial base?

Mr. Allen: Absolutely not. If you can imagine, our major industrial component in Pelham is Fonthill Lumber. They build trusses for houses. The biggest commercial piece in Fonthill is Sobey's. That is it in the town of Pelham.

Mr. Wilkinson: And that was four smaller municipalities that were amalgamated?

Mr. Allen: That's correct.

Mr. Wilkinson: Is Henry of Pelham there?

Mr. Allen: No, he's in St. Catharines. Right across the border. Oddly enough, I know that's the name. At one time I guess his family may have indeed believed they were in the town of Pelham, but clearly they're in the municipality of St. Catharines. There is no winery in the town of Pelham. None. It's quite amazing, actually, when you think of the location, that there is no winery there.

Mr. Wilkinson: Just one quick question, then. If there's one piece of advice that we could give Minister Duncan, what would it be, then? If we could upload one

provincial service? It took a long time to get it down-loaded; we can't do it overnight.

Mr. Allen: I think from the uploading perspective, we really need to look at all of those pieces of the puzzle that came down in the social service basket.

Mr. Wilkinson: But of those, social housing?

Mr. Allen: Social housing would certainly be at the top of the list, I think.

Mr. Wilkinson: In other parts of Ontario it's land ambulance. We've heard a lot of that in more rural areas and up north. It's quite interesting. It's good to be here to get a great cross-section of Ontario when we do these hearings because you get a sense of the need to do it and which thing is the greatest priority.

The Chair: We'll move to the official opposition.

Mr. Barrett: I want to thank St. Catharines and District Labour Council for coming before the committee.

When I think of the St. Catharines area, I think of GM. I know there have been some ups and downs over the years, over the decades. The Minister of Finance testified before this committee on our first day of hearings at the end of last year and indicated that the provincial and federal investment in the auto sector resulted in about \$5.7 billion of investment in Ontario's auto sector. I don't know whether the labour council has a view on this, because I'm also cognizant of the announcements by both General Motors and Ford of jobs leaving our area. It raises a question in my mind. I don't know whether the labour council has any thoughts on this. When you talk about taxes, our provincial tax money, our federal tax money going to the auto sector, seeing so many jobs leaving right now, any thoughts on that?

Mr. Allen: There's no doubt that the General Motors plant in St. Catharines has spent the past 14 years in a sense of reduction, if you will. The announcement to close the foundry was in 1992 and we have seen successive cuts to that workforce, from a high of about

9,200 hourly employees to today's 3,200. Clearly, some of the additional monies that have come from the provincial government vis-à-vis the auto sector have made their way to St. Catharines. It's not necessarily a huge number of dollars as far as the overall picture is concerned. There are some small manufacturers—auto parts makers have received some as well. The largest influx of dollars went to the Oshawa complex, and a great many of those dollars—and that Beacon project, it should be remembered—went into education and training, which I think is an appropriate place to spend taxpayer dollars.

It's somewhat similar here in St. Catharines. There were some; one may call them modest. When you look at the tens of millions of dollars that have come to the St. Catharines location, those are significant dollars for the average person, but in the scheme of things, sometimes don't seem that large. Those are likewise; they were more training and upgrading of skill levels than they were actually buying equipment per se, or giving General Motors the ability to buy equipment. I think that some of those things were key in sending a signal to folks like General Motors that they were a worthwhile enterprise to keep in the province and they were valued, albeit it hasn't stemmed the tide necessarily of what has happened in the marketplace. I don't care who's in government, quite frankly; I don't think any of the parties, if they were in government, could actually stem that one. But I still think there's a role to play for government intervention when it comes to major contributors to the economy. My members at the GM unit, which is one of 21 that we represent in the peninsula, welcome those dollars; I know that.

The Chair: Thank you for your presentation.

That concludes our hearings in Niagara Falls. We are adjourned.

The committee adjourned at 1601.

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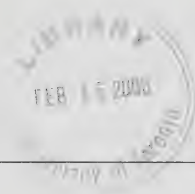
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CONTENTS

Monday 30 January 2006

Pre-budget consultations	F-207
Grape Growers of Ontario	F-207
Ms. Debbie Zimmerman	
City of Welland	F-210
Mr. Damian Goulbourne	
Mr. Mr. Ted Salci	
Ontario Secondary School Teachers' Federation, District 22.....	F-213
Mr. Daniel Peat	
Regional Municipality of Niagara	F-215
Mr. Peter Partington	
Mr. Mike Trojan	
Mr. Doug Martin	
Town of Pelham	F-218
Mr. Ron Leavens	
Mr. Gord Cherney	
Ms. Sharon Cook	
Ontario Society for the Prevention of Cruelty to Animals; Niagara Falls Humane Society.....	F-221
Ms. Valerie Brown	
Wine Council of Ontario.....	F-223
Ms. Linda Franklin	
Ontario Association of Residences Treating Youth	F-227
Mr. Richard Solomon	
Ms. Andrea Rifkin	
Mr. Gord Moore	
Niagara Regional Police Service.....	F-230
Ms. Wendy Southall	
Canadian Manufacturers and Exporters	F-233
Mr. Ian Howcroft	
Mr. Paul Clipsham	
Ontario Veterinary Medical Association.....	F-237
Dr. Rick Healey	
Mr. Doug Raven	
Canada's Research-Based Pharmaceutical Companies	F-240
Mr. Geoff Mitchinson	
Mr. Zenek Dybka	
Casco Inc.	F-242
Mr. Jim Grey	
Welland and District Humane Society	F-244
Mr. Ted Bettel	
Association of Ontario Health Centres	F-248
Ms. Denise Brooks	
Mr. Scott Wolfe	
Town of Fort Erie	F-251
Mr. Rino Mostacci	
St. Catharines and District Labour Council	F-254
Ms. Suzanne Hotte	
Mr. Malcolm Allen	



F-7

F-7

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**Standing committee on
finance and economic affairs**

Pre-budget consultations

**Comité permanent des finances
et des affaires économiques**

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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Tuesday 31 January 2006

Mardi 31 janvier 2006

The committee met at 0906 in the Holiday Inn, Sarnia.

PRE-BUDGET CONSULTATIONS

SARNIA AND DISTRICT
HUMANE SOCIETY

The Chair (Mr. Pat Hoy): The standing committee on finance and economic affairs will now come to order. We're pleased to be in Sarnia for today's hearings. I would call upon the Sarnia and District Humane Society to please come forward. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questions following that. I'd ask you to identify yourself for the purposes of our recording Hansard.

Ms. Marilyn Horner: I'm Marilyn Horner, and I have been part of the Sarnia Humane Society team since 1972. I've been with this great organization for 34 years, and I have seen many changes over the years, some good and some not good.

When I was asked by the Ontario SPCA to speak to you this morning, I must admit I was a little apprehensive. Public speaking, to be honest, is something that is quite out of my comfort zone, but here I go.

I gave more thought to what had been asked of me, and I said to myself, "Marilyn, how can you not go there for something that you know and truly believe in: the welfare of animals and the fairness of what is needed and expected to enforce the laws pertaining to animals and their well-being?"

How many of you people here this morning have a child or possibly a grandchild who has always dreamed of the opportunity to work with animals? It has been a dream, and is a dream, of many people, young and old, and I must admit that I have been fortunate to work for Sarnia Humane and to represent the Ontario SPCA.

Many years ago, I became an agent of the society, sent out in the world to enforce the laws that are in place to protect animals. I was so proud. I was going to get out there, and basically I was going to kick ass. I was going to protect these animals, not in our shelter here on a daily basis, but I was going to investigate acts of cruelty and remove animals from abusive situations. Looking back, and still today, it is no wonder that I and so many other people in this field have been in need of help as well.

Just a few interesting notes over the years: Knock, knock. Before the investigation of a suspected abuse, I

was advised that the residence in question was that of a well-known biker gang in the city, and to be careful. "Wow," as I stood on the front porch, "were those bullet holes in the front door?" I knocked again, as I was already standing on the front porch, but still no answer. As I returned to the vehicle, the door opened and I was faced with a huge Doberman that actually had in his mind that I really need not get back in the truck, with teeth bared and his owners roaring with laughter.

The cattle investigation: I trod through the snow to reach the barn in question where the cattle were housed. Yes, the cattle were there, as well as the owner, chopping wood with an axe. Little was said, as the cattle in question from the complaint we had received were fine. I was not, as I hung on the barbed wire fence, stuck with my parka, tangled in the middle of a snowstorm in a rural area, with no backup and no proper vehicle.

Pigs, puppy mills, starvation, death and filth—yes, so many stories; some enlightening, but most not. The point I'm making here today is that those involved in animal welfare and animals in society desperately need help. People enforcing the laws in societies across this province desperately need funding. For all the humane societies do and could do, so much is taken for granted and not recognized. Police, firefighters, paramedics and others who do daily community work have proper training, proper equipment and staffing. They have anything it takes to get the job done.

There have been many changes occurring in the world we live in, and humane societies across the province are seeing increasing demands on shelters. We're seeing the severity of abuse and neglect of animals and the threatening situations that people in this field are up against, and the resources are not there. Many times, as I mentioned earlier, there is no backup, no proper equipment, no phone systems etc. These are needed in so many shelters across the province.

In today's world, we have a different view, and there are different expectations of humane societies and how we treat animals today. It is recognized that how we treat animals is reflective of how we deal with our fellow human beings, whether our children or our peers. There are many hidden values that are still not completely understood, but we know that we are capable of doing better. Unfortunately, it all comes down to funding that is needed and is easily justified where "humane" comes into describing society. Only we can do it—and we can

do it. We can do it properly with your help, to support animal welfare in this province. I'd like to close with that.

We are fortunate: In our community we have extreme support throughout this area, and I am here for other shelters as well as the Sarnia humane society. There is a need across this province to stand behind the OSPCA, on their behalf and Sarnia's. That's why I'm here today asking, because I truly believe and know the necessity of and the good work that the organization does.

I thank you for listening, and if there are any questions I'd be glad to answer them.

The Chair: Thank you. This morning's round of questioning will begin with the official opposition. Mr. Barrett.

Mr. Toby Barrett (Haldimand-Norfolk-Brant): Thank you, Marilyn, for your presentation on behalf of the Sarnia and District Humane Society.

I have a couple of quick questions. We've had a number of presentations from the Ontario Society for the Prevention of Cruelty to Animals, so we understand the appeal for funding.

You mentioned puppy mills. I don't know whether you've had any experience. That legislation has been on the books for a couple of years now. Right after the legislation was passed, there were charges laid in Norfolk county, and the legislation seemed to be effective. Do you have any view on that? Is that a good law? Is that law working out okay, the puppy mill legislation?

Ms. Horner: It certainly is working. Everything will work, but it gets down to having the resources—when you do a removal and you take animals from these situations, they're in a deplorable state—the cost of veterinary care and housing, and the people in the field available to help each shelter in need.

Just last week in the Sarnia area I was quite surprised. We had a call right here in Lambton county about a residence with 60 dogs. I'll just make this quick. I said, "Sixty dogs?" It was unusual. We hadn't heard of this residence before. Upon our arrival, there were 60 dogs found there. Every animal has always had a dollar sign on its head. This fellow had a beautiful, new kennel set up breeding Labs, poodles; a beautiful website. We couldn't find anything wrong; the treatment and everything was great. But it was a cash cow. These are the things that are springing up, because it's a very lucrative business today. Hopefully, once these people start something, they will maintain the quality of care that they're giving. But they don't, because things happen with the breeding, they start putting out animals—and you know the cost of caring for 60 dogs—and all of a sudden they go under. It's the humane societies that are picking up the pieces. It's big business out there today.

Mr. Barrett: You mentioned meeting a Doberman. I guess it was 25 or 30 years ago that there seemed to be a trend with the Dobermans in the public eye, and then Rottweilers; more recently pit bulls. Now this government has passed legislation that will essentially kill off that breed, if it's a breed. The jury's out on that one.

Do you see any other movement to kill off other breeds, like Rottweilers or German shepherds or Dobermans? Is there going to be another type of dog on the list?

Ms. Horner: There always will be a dog on the list. In my opinion, there are always going to be aggressive, dangerous dogs. I'm sure you've all heard it a million times, but the owners are totally responsible. There are breeds whose bite is much more severe. The media has picked up on the pit bulls, but every dog is potentially dangerous, and in my opinion it should have been, across the board, owner responsibility.

The Chair: Thank you. Now we'll move on to the NDP and Mr. Prue.

Mr. Michael Prue (Beaches-East York): Thank you for a very good presentation. You are the sixth humane society that's presented, and you're the first one who spoke from the heart. So I want to thank you.

Ms. Horner: Well, thank you. It was hard for me to do. I get kind of emotional.

Mr. Prue: In terms of Sarnia, how many animals are put down? How many are not adopted? How many would you have to put down in a year?

Ms. Horner: We handle close to 4,000 animals in our shelter. We're seeing the dog situation improving, I must say, over the years. I think people get a dog and it's a one-time experience that either works or doesn't. They don't keep the animal; they don't try it again.

The cat situation is totally out of control. We have close to 2,000 cats a year and euthanize 1,600. Very few dogs today are being euthanized, because there's licensing and the municipalities are certainly out there with their animal control. Things will work with enforcement, but there's no enforcement on cats.

Mr. Prue: I live on the Don Valley in Toronto, and there's quite a number of feral cats. You can see them from time to time coming up to scavenge. Nobody seems to be looking after or trying to catch them. Is that the job of the humane society, or is it somebody else? I don't know. The poor animals are in very bad condition.

Ms. Horner: The humane society, getting back to funding, can only do so much. As I said, with the licensing of dogs, there is a control on dogs because of a municipality's enforcement. It's very hard to set a cat bylaw on how many you can keep and so forth. When they get so out of control—hidden feral colonies out there—they're seen but unheard. They're out in the good weather and it's hard to track actual cat colonies, where they are, to get out there and help. But I feel there's going to be a big problem someday because they're not controlled and, as you say, they're in rough shape—disease and the hazard of their being on highways and so forth.

0920

The Chair: Now we'll move to the government and Ms. Di Cocco.

Ms. Caroline Di Cocco (Sarnia-Lambton): I want to say thank you for making the presentation to the committee. Although you stated something about public

speaking not being your forte, I have to say that you're certainly a natural. We wouldn't have known that if you hadn't told us. Otherwise, I have to say it was a very good presentation. I know the good work that the Sarnia-Lambton humane society does here, and I want to thank you and all of your organization.

I happen to know Pat Groves quite well, and I know how dedicated and committed your organization is in the work that you do. I can hear from what you said how frustrating it is, because you see that there's always so much more to do to constantly educate as well as to deal with the situations that are there.

You're finished with all your new building now here, I believe. That's all set. I don't know—what are the numbers per year of animals that you take in? You may have said it and I may not have heard it.

Ms. Horner: Sarnia Humane last year was close to 4,000, and 2,000 of those were cats, as I mentioned. The others were dogs and other wildlife and animals that we look after in the community. We do inspections under the OSPCA act for all of Lambton county. We do have a beautiful expansion, as you had mentioned. We do have great support.

It's the increased demands on us now with the pit bull legislation and the severity and the calls that we're getting. Our people in the field—communication is needed. We have no backup because there's not enough staffing or trained people to enforce—because agents of Ontario SPCA do have the same powers as police officers.

Ms. Di Cocco: I just have one other question. We had a moose come this far south just a while ago, if you remember the big to-do about the moose on the 402, I think, or at least near there. Was your organization involved in any of that at all?

Ms. Horner: We were not. That would come under the Ministry of Natural Resources.

Talking about the moose, another thing coming to mind is a deer which jumped into a swimming pool over in Coronation Park in the city. We were involved there, along with the city animal control, which we work closely with. In the animal control and humane field, there is never a dull moment. There is always something different. It seems that we often pick up the pieces because we're there and we want to do it for the animal. If we don't step in and do it, no one does.

Ms. Di Cocco: I know that our office here in Sarnia had some animal issues. We had a beaver that was in someone's backyard, and we had to deal with an exotic snake at one point.

The Chair: Our time has expired. Thank you for your presentation before the committee.

CLEAN AFFORDABLE ENERGY ALLIANCE

The Chair: I call on the Clean Affordable Energy Alliance to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning. I'd ask you to identify yourself for the purposes of our recording Hansard.

Ms. Carol Chudy: My name is Carol Chudy. I am co-chair of the Clean Affordable Energy Alliance. We do appreciate the opportunity to speak before you this morning.

We are the voice of energy ratepayers in Ontario, and we wish to therefore address you regarding the issues, the risks and the consequences of plans to use natural gas to produce electricity. We believe that it's counter-productive, even destructive, to the healthy economy that we now enjoy, and it threatens power reliability in Ontario.

You have before you a copy of our report. Obviously, I will just barely touch on some of the highlights, but I appeal to you to review the contents. A good part of that has come from our research of 1,100 pages of submission and report from the Ontario Power Authority supply mix. I would ask you to please review all of that. What we touch on this morning, the issues and the points that we raise, we feel we have backed up with credible sources in that resource. It's just one of many resources that we have available.

I have 10 minutes—now less—to convince you that the removal of coal generation in Ontario and switching to natural gas will do great harm to our province. We are being cautioned that in eight years, by 2014, the province will only have one half of the generating capacity required for adequate and reliable service. The Ministry of Energy wants to, as you know, replace or refurbish 80% of our current capacity. That, according to the OPA report, will cost \$56 billion to \$83 billion for capital costs alone. That's not for generating costs once it's up and running or a lot of the costs that have not yet been factored in. If we spend \$12 billion a year in electricity bills over 20 years, we're looking at a third extra in our costs every year just for capital costs. That is going to impact industry, business and the average homeowner.

Some of these costs—we believe, a good portion of the costs—can be mitigated. The OPA, when they released their report in December, indicated that the coal replacement could be effected through natural gas and renewable sources, but primarily natural gas. In fact, not only do they want to replace 7,500 megawatts, a quarter to a third of our power generation, with natural gas but increase up to 12,500 megawatts by the year 2025. However, in spite of that comment, directly above that the OPA indicates the following:

"The price of natural gas has increased fourfold in the past five years and is expected to remain high and volatile. Residential and commercial space heating and industrial processes compete for supply and several nearby jurisdictions also rely heavily on gas, all of which puts" natural gas "availability at a premium or even at risk."

There are many other key statements like that—many, many of them—throughout the report from their recommendations and from the consultants they have hired to give information to them. Some of those include:

"Key uncertainties for supply mix include unpredictability of future natural gas prices and availability...."

"Forecasting future natural gas prices is very difficult and uncertain, especially given the tight supply environment in natural gas markets."

The Ontario Energy Board has indicated that just to replace the coal-fired stations in the province, these generating stations "would become the largest class of gas consumers, consuming more gas than all natural gas residential customers in the province combined." Considering that 70% to 75% of our homes in Ontario are heated with natural gas, that's quite an amount. In fact, there are considerable concerns with the infrastructure and the storage for that.

The OPA report, as I said, goes on to show that there are a number of other risks associated with using natural gas, but they highlight the two: first, the cost of the fuel—that it's high, volatile and expected to remain that way—and second, supply concerns. Regarding the cost, cost is interpreted through supply and demand, bottom line. All of the credible sources that we have for supply, including Canadian, US and international government sources, say that we have less than 10 years' supply of natural gas, at production to reserve, of known reserves. That's not hoped for or undiscovered, but known.

The David Suzuki Foundation incorporates in their report: "Based on proven reserves and 2002 production figures, Canada has only nine years" of natural gas reserves left.

We go on in our report to point to a number of unsettling things. Supply is just not coming on board. Liquefied natural gas is a concern, not only environmentally, but cost-wise.

I thought that in order to try to make an impact this morning—I know you have gone throughout the province. You have heard the impact from business and industry. I want to share with you some highlights from some of these.

0930

The Ministry of Finance has indicated that Ontario's top manufacturing exports, which produce 89% of exports, include motor vehicles, chemicals, machinery, primary metals, plastic, rubber, pulp and paper and fabricated metal. Every one of those industries are represented in reports that were given to the OPA. Without exception, every one of them says the move to natural gas is going to negatively, harmfully and detrimentally impact the economy of Ontario. Without exception, all of them indicate that coal closure is not good for this province. I would like to highlight a couple of those.

AMPCO, the Association of Major Power Consumers of Ontario, indicates that "the replacement of intermediate coal-fired generation with gas-fired ... carries with it the implications for ... higher wholesale market prices based on the amount of time that gas will replace coal ... The current policy to retire from service the existing coal" plants "is the single biggest factor causing upward pressure on rates and increasing risks" in the Ontario market.

The Ontario Mining Association says they are "a vital contributor to Ontario's economy." They say that

"experts are telling us" that "demand for natural gas in North America exceeds supply.... Ontario must decide whether it wants to rely upon an energy source for its future electric power generation" which is going to incur "reduced industrial activity in the province."

"Inco"—the second largest producer of nickel in the world—"is concerned that too much reliance on gas-fired generation" will "cause irreparable harm to the Ontario economy and to the mining sector in particular."

Canadian Chemical Producers' Association: the same thing. "Excessive demand has made natural gas so expensive, driving electricity prices higher ... that it undermines their ability to compete internationally ... high natural gas prices are closely related" to "electricity prices" and "are threatening the chemical industry's place."

My time is probably going, so I will leave it to you to review some of the other comments. We have the Industrial Gas Users Association, the Canadian Manufacturers' Association and the Canadian Exporters' Association, who say that for every dollar they put into the economy, there's \$3 in spinoff. Again, they are warning that to phase out coal and to implement natural gas will cause Canadian manufacturers to become uncompetitive. The chamber of commerce: Three quarters of their members do not have confidence in the energy policy, and on it goes.

The farming community says that they are the second-largest industry in Ontario. Switching to natural gas will result in "increased ... costs for millions of homes and businesses." If electricity prices go up, "Processing of food in Ontario" will become "uncompetitive and likely extinct." A huge portion of the costs that will go to restructuring our energy market in Ontario will go to the switch to natural gas. We are saying that that can be mitigated. In our report, we show that 80% of emission reductions in coal-fired generating plants can be effected at 20% of the cost of switching to natural gas.

Finally, there was a poll done of the average person in Ontario about electricity and energy markets. They indicated that availability and reliability were primary. However, most participants concluded that, in the end, the Ontario economy must be the most important priority. The economy is the primary driver of all the decisions in the province.

We are saying that we can have clean energy, we can have it affordably and we can maintain the industrial and business climate that will encourage those sorts of implementations in our province.

The CEA Alliance gets calls and e-mails from people, average homeowners, who say, "I'm going to lose my home if energy costs increase." A man on a respirator: "I will not be able to afford this if hydro rates increase."

For the good of our province, for the good of our homes, our families and our manufacturing and farming base, we appeal to you to reconsider financing the switch from coal to natural gas. Thank you.

The Chair: Thank you. This round of questioning will begin with the NDP and Mr. Prue.

Mr. Prue: It's quite clear that you're not a fan of natural gas. This province appears to be, I think mistakenly, embarked upon nuclearization at \$35 billion or so to build nuclear plants. Do you see this as a better alternative or just another boondoggle?

Ms. Chudy: We believe we have to have generation in this province. It's obvious. What we have to do is look at all of the generating sources. We have to look at cost and environmental impacts. If nuclear gives us baseload power at a good price and the environmental issues are lessened, then I believe it's a good choice. What has to be done, though, is that we have to have an unbiased look at all of the generating sources, and we feel that that is not what has happened here.

Mr. Prue: In most of Europe, the consumption of energy is about half per capita what it is here. Should we be doing what the Europeans do, and that is embark on conservation as a primary goal rather than spending all this money and wasting all this energy?

Ms. Chudy: Certainly conservation has to be a major player in looking at energy needs for the future. I think we have to look at the factors, though, that make us big energy consumers. We have the kind of climate—hot, humid summers, colder winters—except for this year, perhaps. We are an energy-intensive industrial base. So, in Canada, yes, we use much more energy per capita, and I think that has to be a concern. However, we have to look at the other issues that cause us to be so energy intensive.

The Chair: Now we'll move to the government and Ms. Di Cocco.

Ms. Di Cocco: I certainly have heard your presentation and your argument a number of times. I just have one quick question. You're suggesting that all the replacement is coming from gas. I don't know where you're getting that information from.

Ms. Chudy: From the Ontario Power Authority. No, I don't say "all." In fact, I think at the beginning I said "natural gas and renewables." However, with the amount of renewables that have come on board, I think 90% is wind power. Wind power is intermittent and unreliable. It needs backup generation.

Ms. Di Cocco: Do you know that there's discussion as to the mix of fuel source for generating electricity that is going to be looked at because of the OPA report? One of the things that is important to note is that, first of all, gas will probably—from discussions I've had—be no more than 15%, 16% of the whole mix in all of Ontario, and that's not even baseload. It's only for peak load. Certainly, to look ahead to the future, to have our 25,000 megawatts that have to be replaced, is something that we've at least looked at. There has been little or no replacement of any generating capacity in this province for the last 10 years. I know that my colleague from Huron-Bruce can speak to the farming issues and what is happening with renewables.

The Chair: Ms. Mitchell, we have about a minute left.

Mrs. Carol Mitchell (Huron-Bruce): As Caroline said, I'm the member from Huron-Bruce, so you know

how important energy is to us. One of the things I do want to talk about for just one minute is the renewables, and how the agricultural community receives the renewables. They see it as a wonderful opportunity.

I come from the greatest producer of agricultural product. When I go out and talk to my agricultural community, they see this as a wonderful opportunity: ethanol, biodiesel, wind, anaerobic digestion. They see commodity prices, as they continue to fall, as an opportunity to become more productive and affect their bottom line. I just want to speak to that very specifically, because of the comments that were made by Ron Bonnett. I can tell you that what I hear in my community is entirely different from what Ron Bonnett has expressed.

The Chair: Would you care to respond, quickly?

Ms. Chudy: Yes, very quickly. We totally believe that renewable is an excellent idea. In Germany, they use biomass and coal together to offset the CO₂. However, there is a huge cost with implementing that. We believe, as renewables are brought online, let's keep the coal in the mix. Let's clean it up—the infrastructure is already there—while we bring in all of these other renewables. Renewable is a must-do, but it's going to take time, it's going to take money, it is intermittent, especially with wind power, and it's not reliable. In the summer, we need reliable for air conditioning, when the wind is not blowing.

0940

The Chair: I now move to the official opposition.

Mr. Barrett: Thank you, Carol, for this detailed report. I appreciate all the references at the end of the report as well. I don't think we would be able to go through 1,100 pages of testimony to pull this out.

Last week, this committee held hearings in Atikokan. As a result, the opposition is putting forward a motion that the Atikokan generating station not be closed. Additional testimony in the north—we're putting forward a motion that the Thunder Bay plant not be closed. Once I go through this, I suspect that MPP Hudak and I would wish to put forward a motion that Lambton generating station not be closed.

We know that all the coal plants are going to be closed next year, other than Nanticoke. That decision has been deferred by two years now. You've scoped out a lot of the long-term impact and the economic impact. Just in the short run, any idea what the short-run impact would be to have all the coal plants other than Nanticoke close next year?

Ms. Chudy: Short term as in reliability issues?

Mr. Barrett: Reliability, safety, economics.

Ms. Chudy: Right off the bat, I don't know that all the infrastructure will be in place for that. With respect to Lambton generating station closing, we feel it's a terrible waste of resources that have been put in, not only to build it but to bring it into emissions territory that is in the top in North America. We do believe that that is really too bad. I don't believe that these gas plants will be up and running in time to prevent the closure of some of these other plants.

Mr. Barrett: I had a tour of the Lambton generating station. I was up on the roof, and it's not very far across the river. There are two very large Detroit Edison coal plants right across the St. Clair River, and there's a third one just upstream. I have problems squaring this. This government shuts down the coal plants. We know that coal-based energy would be imported, like last summer. Whether it's imported from Detroit Edison or not, we're in their airshed. What are the environmental advantages of shutting down all the coal plants?

Ms. Chudy: Just an aside: Michigan is planning on building two more coal-fired plants. However, there are restrictions in the US now, emissions restrictions. I know Detroit Edison is pouring a lot of money into their plants to clean them up. The new coal plants will come in with emissions control technology. We are the only jurisdiction in the world that is considering closing our coal plants. Every other place is looking at coal to increase as a cost-mitigation factor, and they are using emissions control technology. It's not an oxymoron. It's there.

Mr. Barrett: Just a quick one—

The Chair: Thank you.

Thank you for your presentation.

SARNIA AND DISTRICT LABOUR COUNCIL

The Chair: Now I call on the Sarnia and District Labour Council to come forward, please. Good morning. You have 10 minutes for your presentation; there may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Ray Fillion: Good morning, Mr. Chair and members of the panel. My name is Ray Fillion, and I'm the president of the Sarnia and District Labour Council. The Sarnia and District Labour Council is to labour what the chamber of commerce is to business. We are affiliated with the Ontario Federation of Labour and the Canadian Labour Congress. We have 34 locals that pay dues to us, and we have a total membership of 6,858 people.

Of the issues that we have before you this morning, the first one is that the government needs to get serious about going after our share, Ontario's share, of the transfer payments from the federal government. Being diplomatic, talking softly to one another apparently doesn't seem to work. As a well-known TV host in the US says, "How is this working for you?" Apparently it isn't working, because the \$23 billion in transfer payments are still in federal government hands. May I recommend that, once the province of Ontario gets the \$23 billion, maybe a billion of it comes towards Lambton county, primarily because our infrastructure in this county is suffering as well as other areas of the province of Ontario.

The second issue is the closure of the Lambton generating station, scheduled for 2007. My predecessor has talked quite well on this issue. We believe that the closing of the Lambton generating station will put the

economic life of our community at great peril, and this will be done by increasing the price of electricity significantly. Our community as a whole has informed the provincial government of this, and the unions and industry in our communities have voiced their concerns. I have never seen such an issue bring labour and business together as this issue. Industry and labour have a tendency to disagree an awful lot of the time, but in this community this issue has brought us together.

Lambton county already has TransAlta and Imperial Oil here, and they have units that are ready to produce energy by using natural gas. Why the government brought in two other companies to do this doesn't seem to make economic sense to the labour council.

The third issue is that the province needs to support the chemical and manufacturing industries in Lambton county. One of the ways to do this is by keeping Lambton generating station open and producing inexpensive electricity with coal.

The fourth issue is research and development. Labour is very much behind this. We cannot, as a community, continue to stagnate in processes from the past. We need to move forward, and research and development is one way of doing this. We urge the provincial government to help the companies in this community to go forward with this.

The fifth issue is workforce development, skilled trades. We need better support of the apprenticeship programs and better funding of trades training centres and community colleges. We need to have fully funded, fully staffed shop classes from kindergarten to grade 12 in public schools. Apprenticeship training must be accessible to all. Education training initiatives and opportunities must be expanded to ensure that current and future employers recognize female, aboriginal, visible minority people, young workers and persons with disabilities as potential apprentices. A provincial training levy for employers must be established that provides training that will include access to all training, including literacy, essential skills, second-language upgrading and apprenticeship training for all workers.

The Apprenticeship and Certification Act has split the apprenticeship system in Ontario in two. The industrial, public and service industry trades are now under one jurisdiction, and the construction trades were left under the old Trades Qualification and Apprenticeship Act. To date, some of the new construction trades are being put under the ACA. The system has been deregulated. It has shifted the focus from apprenticeship as an employment relationship to apprenticeship as a short-term education and training relationship. It removed the enforcement of regulatory provisions governing ratios and wage rates and removed entry levels and duration of training from the legislation.

0950

The provincial government needs to go back to the TQA system. The two systems that we have now are bad economics for the labour movement. Under the new ACA system, everyone loses. Employers need monetary

incentives to hire and use apprentices. We need retraining for workers of all ages who lose their employment.

The sixth issue is health care. Many people, today and previously, will be talking to you about that. Our main concern is about the delisting of services. We think that that needs to stop. When someone gets a minor medical procedure done and OHIP covers the cost and someone else has to pay to get cancer blood work taken, to me, that seems wrong.

The seventh issue: The provincial government needs to be more aggressive in the enforcement of the health and safety laws, because a job is not to die for.

The eighth and final issue: The province needs to provide better support for the deadstock industry.

Mrs. Mitchell: We hear you.

Mr. Fillion: Yes. You say, "Why is labour looking after this?" Well, I ran into this issue in the London Free Press on Sunday. Having read the article, it makes sense. Not only does it provide stock, but it's good for the environment. Again, going back to television, to the history channel, you know that of the 100 worst jobs throughout the Middle Ages, this is probably one of them: having to deal with dead animal stocks, roadkill.

That's my presentation. Thank you very much.

The Chair: Thank you. This round of questioning will begin with the government. Ms. Di Cocco. Please put your hand up so I know.

Ms. Di Cocco: Okay. Thank you very much, Chair.

Thank you for your presentation. It was quite comprehensive, and you spoke on a number of issues.

On the \$23-billion gap, as you know, the government certainly has attempted to address that gap from the previous government. The Premier also met with Stephen Harper to discuss that, when Mr. Harper was leader of the official opposition. We hope we can make some inroads as we try to protect the interests of Ontario in that matter.

When it comes to the phasing out of coal, the government of Ontario has exactly the same objectives, if you will; that is, we want to have affordable energy coming online, we want conservation and we want to stay competitive, absolutely. The most important thing for us to do is keep the lights on. That is the ultimate, most important aspect of what we have to do with generating new supply to come into the marketplace.

This is the only government that has tackled—over the last 10 years, there's been very little in new supply. That's why we're in the mess we're in today. So we are attempting to fix it. We're also looking at health impacts. We're going to do it prudently, and we're going to make sure that all the supply is there.

When it comes to—

The Chair: Thank you. I'm going to let you respond.

Mr. Fillion: The labour council understands this. It's been a long time since anybody has done anything to fix the energy problem, and we commend you for starting the work on it.

The Chair: Now we'll move to the official opposition. Mr. Hudak.

Mr. Tim Hudak (Erie-Lincoln): Thank you, Mr. Fillion, for the presentation. I had a chance to come to Sarnia a few times, as has my colleague, and I think we have yet to find anybody who thinks closing down Lambton is a good idea, except maybe some with Liberal Party memberships. Otherwise, it tends to be seen as a pretty wacky notion.

How many jobs will be lost at the Lambton generating station, and are they well-paying jobs?

Mr. Fillion: From the Lambton generating station itself, they're saying about 400; spinoff industries, I don't know.

Mr. Hudak: The 400 are part of the Power Workers' Union, and they're good, well-paying, highly skilled jobs.

Mr. Fillion: Oh, yes. They're very well paying, good benefits.

Mr. Hudak: They're pretty hard to come by in Lambton county.

Mr. Fillion: Yes.

Mr. Hudak: So the 400 or so jobs would be sorely missed.

The other concern I hear about too is the potential gas-fired plants in the county, particularly around Calpine, which I understand has had some problems in the United States. Do you have any feelings about Calpine building a plant in the area?

Mr. Fillion: As the business, I really don't know anything about that corporation. My only concern is that we already had two companies here ready to do this. TransAlta is here, set up and running—not at full capacity, from my understanding. Imperial Oil has shut down its generating station for whatever reason. But these two are already here; that's my point. Why did we bring in somebody else?

Mr. Hudak: My understanding too is that the petrochemical industry is particularly sensitive to this policy: first of all, the concern that closing these plants will result in even higher hydro prices than we're facing today; and secondly, a lot of the feedstock comes from natural gas as well, and if we switch to depending on natural gas, it's going to cause a big impact in the area's petrochemical industry. Do you care to expand on those concerns?

Mr. Fillion: There are definitely alternative sources of energy. At one point, the former employer that I retired from, Dow Chemical, had a coal-powered generating plant and converted to natural gas many years ago. Then they decided to get out of the power generating station and sold the plant to TransAlta. I'm not into economics, so—

Mr. Hudak: I'm just wondering if there's a general concern among your membership. The manufacturing sector is particularly sensitive to higher hydro rates. We've seen the loss of 55,000 jobs last year. John Deere in Woodstock sadly announced last week that they're closing, and of course the Ford layoffs in southwest Ontario. Do you have an overriding concern about the hydro policy impact on manufacturing?

Mr. Fillion: Yes. Basically that's why I mentioned it, and we're self-serving here: We're trying to maintain our own jobs.

The Chair: Now we'll move to the NDP.

Mr. Prue: It is a worthwhile goal to try to maintain jobs, but particularly on your eight points—not coming from a farming community, I'm not really too concerned about deadstock, although I understand the importance—you talked about skilled trades and what sounded to me almost like employment equity. After all these years, it's refreshing to hear someone talk about disadvantaged youth, people of colour, aboriginals, women and the disabled being given an opportunity to get into the skilled trades. Nobody has been talking about this. What brought this about?

Mr. Fillion: Nothing. Our mandate is to look after people. Whether unionized or non-unionized, a worker is a worker and that individual has a right to gainful employment.

Mr. Prue: Do you have this in your collective bargaining? Do you demand that your employers hire these people as terms and conditions of a new contract?

Mr. Fillion: The labour council does not go into labour negotiations.

Mr. Prue: I know, but your member unions?

Mr. Fillion: I have not gone into any of their collective agreements.

1000

Mr. Prue: I'll tell you why I ask this question. This past November, I spent a couple of nights in Jane-Finch, which is probably the worst public housing in the province. A couple of the bright spots I saw were that all the developers, all the people who go into Jane-Finch to fix it up, must hire local youth as part of getting the contract. I saw kids who probably had originally defaced the walls, fixing and cleaning them. I saw kids who had probably pulled up and wrecked the stones, laying pavement. It was amazing, not only because they were learning a trade and having a purpose, but they could also see the work that went into it and they'd probably be far less likely to be destructive.

Do you think that is where we should be heading? We have a problem with gangs; we have a problem with unemployed youth. It seems to me quite simple that if you give them a realistic job and an opportunity, probably a great many of them would be turned around.

Mr. Fillion: I agree with that, but it's up to the employer.

Mr. Prue: But employers have not been forthcoming in this.

Mr. Fillion: That's true.

Mr. Prue: Should the government be forcing them to do it?

Mr. Fillion: I guess that's a government policy decision. We can lobby for it, and obviously we do. It's up to government to make a decision.

The Chair: Thank you for your presentation this morning.

SARNIA-LAMBTON ECONOMIC PARTNERSHIP

The Chair: I call on the Sarnia-Lambton Economic Partnership to please come forward. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. George Mallay: My name is George Mallay. I'm general manager of the Sarnia-Lambton Economic Partnership. It's a public sector-private sector partnership of business, industry and labour within the Sarnia-Lambton community, geared towards diversification of our community.

I have four points here. The first is the chemical industry. I don't think Ontario is open for business with respect to the chemical industry. Recently, I went around and interviewed 20 managers within the petrochemical industry in Sarnia, and 90% of them felt that Ontario was really not a very favourable climate for chemical industry investment at this point in time.

You probably are aware that there is over \$1 billion in new construction happening in the Sarnia industry currently. Those are all projects that are on the books from a number of years ago, and a couple of them are around the desulphurization of gasoline. When you go beyond that, we're in trouble.

The chemical industry is one of the highest-paying sectors within the Canadian economy, and it employs a high number of university graduates. So it's a very important part of the local economy. Twenty-five per cent of the content of a car today is from chemicals and chemistry.

Where I think the government is being short-sighted here is that the chemical industry is a key bridge to Ontario's future. I don't know how many people here are familiar with a concept called industrial biotechnology. It's an emerging industry, an industry that has the ability to transform manufacturing globally. The chemical industry offers an important bridge for Sarnia-Lambton, and Ontario, to become a leader in doing that.

The Ontario government has a number of programs geared to the biotechnology industry. Most of that effort has been focused around health care. There is a \$600-million bioinnovation program in which Sarnia-Lambton is participating with Chatham-Kent and a number of other municipalities. However, Ontario does not have any clear strategy the way US states such as Iowa and other global jurisdictions have, where they say, "We are going to have X number of bioplants operational by this date. We're going to have X number of acres under production for biotechnology products. We're going to have X number of educational programs and people working in the industrial biotechnology industry by X date."

We have an opportunity here. I think it's an important step forward that Ontario's new investment manufacturing strategy, which was recently unveiled, this time names the chemical industry. I think the way the prov-

ince is handling the Ministry of Research and Innovation is also an opportunity. I would encourage the chemical industry and the province to look at more ways to work together. The revolution is really being driven by chemical companies: Cargill, Dow, DuPont. DuPont announced that 25% of its new products are going to come from renewables within 10 years.

Another key area—and this is directly related to the competitiveness of the chemical industry—is energy availability, reliability and cost. Historically, competitively priced and reliable electricity has been a key factor in terms of attracting and retaining manufacturing operations in Ontario. I think Ontario has lost its competitiveness with respect to electricity. It has served us very well in the past. A number of speakers have already alluded to the fact that we have TransAlta and Imperial Oil in Sarnia with plants that are either running at 25% capacity or not operating at all. This sends a very bad message about Ontario being open for business with respect to the chemical industry.

The Lambton coal-fired plant is scheduled to close. Again, in my opinion, this is another mistake. As a country, we have a 250-year supply of coal. We're looking at substantial costs in electricity, and expected to rise. Replacing coal with natural gas is not a good use of a scarce resource, which natural gas has become. Other people have already outlined the impacts to our economy from closing the Lambton generating station.

I think there is an opportunity for Ontario again to become a leader in developing products around renewable energies. Again, there's no clear policy. We have good skills in manufacturing, instrumentation and computer technologies. As a province, we should be looking at how to take these skills and become a leader in solar engineering, wind turbines, both large and small, and fuel cells.

One of the things we are trying to do in Sarnia-Lambton is take advantage of this emerging trend. Hopefully, with the support of the Ontario government and the federal government, we plan on launching a fleet of hydrogen-powered vehicles and appliances in Sarnia-Lambton in 2006. We've also been working with the local companies here to get them to look at opportunities around things like wind technology. But at this point in time the taxation and investment business climate structure is not really favourable for these companies to take the risk of going into those areas.

Another area that I want to address is Ontario's aging population. It means a slower-growing workforce, where immigration will play an increasing role. We hired a new person on our staff about six months ago. That person is responsible for the attraction of new residents to our community, and immigrants are key. As with many other communities, we have shortages of engineers, doctors, other professionals and tradespeople. One of the things that has to happen is that the provinces and the federal government have to work together to develop a more efficient system of assessing foreign worker qualifications and credentials. That would be beneficial to immigrants as well as to our communities.

Most of the immigrants who come to Canada end up in Toronto, Vancouver and Montreal. I've heard a lot of talk about Smart Growth and growth policies. Within the city of Sarnia, we have a 30-year supply of serviced residential and commercial lands. Other communities across Ontario are in a similar position. We have to figure out a better way to get more of these immigrants working in other parts of Ontario. They're good for our community. They bring diversity, which brings new ideas. They get people on their staff—for example, we're talking about exporting and becoming more export-oriented. As economies such as India, China and those places emerge, it's critical that more and more Ontario employers have people on their staff who understand these markets and can open doors. They bring language and business skills.

Another key area is that the province's infrastructure must be a key contributor to industrial efficiency. All municipalities have really been challenged in terms of municipal infrastructure. The infrastructure is aging and crumbling. We're talking about water and sewer, roads, health, but also the soft things, like border crossings. We must find a way to help municipalities be more effective in terms of improving their infrastructure.

1010

Municipalities are really challenged from a financial point of view. Recent attempts in terms of providing a portion of the revenues from gas taxes and provincial sales taxes are all steps in the right direction. But I would put it to you that the whole way in which municipalities are financed probably should be open to further review, because property taxation by itself is insufficient in terms of the demands that are facing municipalities from a fiscal perspective in today's environment.

The Chair: Thank you. We begin this round of questioning with the official opposition.

Mr. Hudak: Thanks very much, George—a very comprehensive presentation. It's good to see you again. I appreciate the points that you continue to press. My colleague Mr. Barrett has some questions as well.

I was going to focus in a bit on the energy side that you spoke about. We were in Atikokan last week and heard very similar concerns about the impact on the industry. You make a case about better utilizing industrial biotechnology. Would the Liberal policy of reducing our supply by closing the coal-fired plants hamper Sarnia's ability to move in that direction?

Mr. Mallay: If we're going to replace electricity with higher-cost electricity, yes, because electricity in terms of the petrochemical industry is a key input. I think that in our community we embrace renewables and we believe—I do, anyway—in peak oil, and we also have concerns about climate change. But renewables aren't there yet, in terms of having the ability to replace coal technologies within the time frame we're in.

I think there is also substantial opportunity for the use of clean-coal technologies. The Lambton generating station is one of the cleanest coal-fired plants in North America. Within the Ontario airshed, there are hundreds

of coal-fired plants that are very, very dirty. I know that Michigan is looking at opening two other coal plants, so it seems kind of silly that we're closing something that's providing low-cost power that is cleaner among the coal plants at this point in time.

Mr. Barrett: Thank you, George. I see a recommendation to keep the Lambton generating station operational.

In your next point on that page, you talk about the current lack of refining capacity. I think the Esso refinery here goes back to 1918. I know we have an Esso, formerly Texaco, down Nanticoke way. It was built in the 1980s. Are we building oil refineries in North America, or is the environmental risk just too high? I'm not aware of any new refineries being built.

Mr. Mallay: That's part of why gas prices are so high. The number of refineries in North America has actually been cut in half. There is a critical shortage of refining capability and capacity. One of the things we should be going after as a province, because certainly you're going to see it in the US, is refining.

The Chair: Thank you, and now Mr. Prue of the NDP.

Mr. Prue: I'd like to start first with the immigration stuff. The immigration department takes forever to process an immigrant. I used to work there. I know how long it takes. It takes five years to sponsor your relative, it takes three years to sponsor your wife, it takes about a year and a half to bring a trained professional. Should Ontario be insisting that the equivalencies for foreign-trained professionals be undertaken abroad while the people are waiting? It seems crazy to me that when they come here then they have to go through all the equivalencies once they're here. They're sitting in their own country for a year and a half waiting anyway, if they're a foreign-trained professional, on average. Shouldn't it be done there?

Mr. Mallay: I would have to say that I'm not well-versed in the process. We have a staff person who is more highly skilled in that regard, but it would seem that that would be a logical thing to do, yes.

Mr. Prue: I'm heartened to hear about your staff person because, apart from the city of Toronto actually having someone who works with immigrants, I haven't heard that from any other municipality or any other company in Ontario until today. So congratulations on that.

I'd like to go into the infrastructure too. You talk about the province needing to give new avenues of spending to municipalities. Surely an easier way than giving more revenues is for the province to upload those things which are being paid for by municipalities but really have nothing to do with municipalities. I'm talking here about public health, land ambulance, public housing, welfare rates and all those things that come off the municipal tax base. Wouldn't that make more sense, and then allow the municipalities to do what they do in building the infrastructure and the roads and the sewers?

Mr. Mallay: I guess that has been the way it was historically.

Mr. Prue: Only since 1998.

Mr. Mallay: I think the key thing and my focus is really on the infrastructure for water, sewer, those types of things, and if the province is of the opinion that it does want the municipalities to deliver things like health care, then it has to be more creative in finding ways for municipalities to be able to secure additional revenues so that the other service delivery areas are not being short-changed.

Mr. Prue: Thank you.

The Chair: Thank you, and we'll move to the government and Ms. Di Cocco.

Ms. Di Cocco: George, thank you very much for your presentation. I certainly hear you loud and clear when it comes to the suggestions. As you know, I have a great deal of respect for the work that you've done in regard to the economic partnership here. Over a number of years—we go back a lot of years—you've done some great work in trying to attract and deal with the economic diversity that we want to build here in Sarnia-Lambton, so thank you very much.

On the issue of biotechnology and also the issue of a better relationship, if you want to call it that, with the petrochemical industry and the government over the last couple of years anyway—and particularly over the last, I would say, year—I've met with the chemical producer associations a number of times, the petrochemical industry, the plant managers here, and I believe that you're right: We have to do a better job at being able to relay the message that yes, Ontario is open for business. I know from speaking to some of the petrochemical managers that one of the things we are positioning ourselves for is this great possibility of moving forward from what we call fossil fuel to biofuels. This is the perfect place to be able to see that transition and really become a place of sustainable development.

The one question I have for you is, in what way can we continue to improve that relationship? What do you think we should be doing more of to bridge, if you want—if there is a gap—the government and the petrochemical industry?

Mr. Mallay: I think that putting in place some policies that would make energy more competitive, that would make taxation more competitive and working with the industry and working with us as communities to create a strategy to enable us to move ahead and put in place—one of the challenges that we face as a community is that there are very few communities in Canada of our size that don't have any R and D facilities at a public level. So one of the things for us as a community trying to move ahead is trying to build community capacity around research and development. Recently we entered into a partnership through the city of Sarnia, through the county of Lambton with the University of Western Ontario to establish a new research and development park here. We want to focus on the environment, on industrial biotechnology and on energy use if we can work with the province to move that project ahead.

I think the other key thing that has to be done, and we're certainly going to do it at the community level, is

to make contact with senior executives in the head offices of the petrochemical companies that are in Sarnia-Lambton because it's one thing to go and talk to the site manager here, but when you go down to Imperial Oil in Texas and they know that they have a co-gen plant here that's sitting vacant and they've seen all the stuff that went on with the SWAT team, Sarnia is not at the top of their list. So we have to do more in terms of repairing the damage that has been done.

The Chair: Thank you for your presentation.

1020

CITY OF SARNIA

The Chair: I call on the city of Sarnia to come forward, please. Good morning.

Mr. Mike Bradley: Thank you very much. Mike Bradley, the mayor of the city.

The Chair: I give this to everyone for their information: You have 10 minutes for your presentation, and there may be up to 10 minutes of questioning following that.

Mr. Bradley: That's fine, Mr. Chairman. I won't take that much time. A number of the issues I will raise you are familiar with from the municipal sector.

First of all, welcome to Sarnia and to Point Edward. I want to make an overall comment about a number of the speakers you're hearing today. You've already heard from the labour council, the economic partnership; you'll be hearing later from the college and from the chamber of commerce. It shows you what a community can do. Back in the early 1990s we lost over 6,000 jobs on a population base of 125,000 in Lambton county. We realized we weren't going to get help from the province or the federal government, so we went through a very tough time period of trying to figure out what we were going to do as a community and how we would get there. I'm pleased to say that those strategies have worked.

Again, it was very difficult at the beginning. You bring business and labour to the table with local government; everyone is looking for scapegoats. You have a lot of disruption in the community; you have a lot of hardship and a lot of pain. But it works very well today. That economic partnership is probably the model that should be out there. Contrary to some other people's beliefs, we're not crybabies at the municipal level. We just want good, full employment for our people, a good environment and the opportunity to succeed. The economic partnership: All of us here today have consulted with each other—the labour council, the business community, the college—because we are working together with one common direction.

In the municipal sector there are a couple of key issues. One is the issue of property taxes. You know full well that the system isn't working. I can predict to you, within the next couple of years, as someone who has been in office for almost 18 years, that there's a property tax revolt coming unless there's an understanding that it needs to be fixed, and true reform. There were some

reforms offered in the early 1990s that could have made the system better. Sarnia was one of the driving forces behind the Ombudsman's decision to investigate MPAC, but I don't believe that's the solution. That's just the people who deliver the service, and certainly there could be some improvements there. The real issue is property tax reform. Going back to Mr. Prue's comments, the number of services—I'll give you a good example at the county level. When they took over ambulance service in 2000, it cost \$3.5 million to operate it in Lambton county. It now costs close to \$12 million, and that's a cost that's just an unfair burden on the taxpayer.

We also need help from the province on the education tax sector. It has been lowered in the past to help offset market value assessment. One of the common things we hear on market value assessment is very simple: The cliché is—and we've heard it from respective governments—"Well, you can lower the tax rate." We have done that in Sarnia, but that only helps the person with the average increase. There are lots of people—and Sarnia, Windsor and Ottawa are three of the areas that are hotspots that suffer greatly because of the increase in values. There are solutions in Florida, there are solutions in Nova Scotia and there are solutions in California that we think Ontario should look at to at least cap and to ease the burden on people on the capital gains they don't realize until they sell their property.

We welcome and we appreciate this present government getting into funding through the gasoline tax. That was most welcome. The only thing I would ask, which we have asked formally to Queen's Park, is to free it up from transit. Let us use it for transportation; let us use it for projects which will advance transportation. Right now, it's geared to transit systems, and you must bring in services that may increase the ridership, and that's a real challenge in smaller communities. I think it really should be unencumbered. We do welcome the direction, though, and it has been a very positive step.

This is the gratuitous thing that my council asked me to do, which is also to share the provincial sales tax. If you want to make a decision by the end of the day, we certainly would welcome that.

Lambton generating station: I'm not going to give a lot of comments on that. It's simply to say to you that you'll hear a common theme today. I've written to the minister; I've met with the minister through the good offices of Caroline Di Cocco to simply say: Look at what's going to happen in 2008; please look at that. If you extend the life, and Lambton's the best one to extend the life of, in our belief—and that's not being parochial. It is the cleanest; there's a huge investment in that plant. Look at 2009 and 2011, at least. I'll just give you an example: the petrochemical industry is the biggest consumer of power in this province. Last year there was a blackout: One plant, NOVA, went down. Twenty-five million US dollars were lost to that company. It has impacted on their bottom line. Reliability and affordable power are critical to our industry.

If I can conclude just by speaking on one other municipal issue, and it's under discussion right now, we

understand: the OMERS plan. I think you know the issues there. We're very concerned about the burden that could be put on the local taxpayers and we believe that that bill should be withdrawn or pulled back for further discussion, because we cannot afford that and we're very concerned about the impacts in the long term on our ability to offer police and fire services and other basic services.

The Chair: Thank you. We begin this round of questioning with the NDP and Mr. Prue.

Mr. Prue: It's good to be back in Sarnia again, Mike; good to see you again. A couple of things you said: First of all, the uploading of services. I've been asking this question in every municipality. Every municipality agrees that it will help the bottom line with the tax base and with the ratepayers if the province uploads services. You've mentioned land ambulance. Do you also believe that welfare, public housing, land ambulance, daycare—the list of money that the province takes from the municipalities through the property taxes is very long. Do you think they should all be uploaded and, if not, which ones should be kept with the municipalities?

Mr. Bradley: Mr. Prue, I'm a very strong believer that the property taxes were there for a basic function. Over the years—many years—there's been an evolution where we're now funding a lot of services that simply can't be sustained on that base. I'm also a realist about the burden that you face, just as we face. I do think that in areas like land ambulance and some of the other areas—welfare and daycare—I could see a phasing out.

I wasn't trying to be flippant about the provincial sales tax revenue. I think the offset for us is, if you don't share in that type of revenue with us—I understand your own fiscal pressures—then look at how we could ease our way out of the land ambulance issue and how we can ease out of the other things, because I do firmly believe that the burden that's being put on the property taxpayer—and it's not an excuse. I've watched it grow and grow. It is becoming extreme because it's not just happening on the property tax side; it's also happening on the infrastructure side with water and sewer rates, so you're sort of getting a double taxation. So I think there just needs to be an exit strategy, and if we knew that, we could plan properly.

I do give a number of the governments in Ontario in the last, I'd say, decade, and the last federal government, a lot of credit for recognizing that we can't continue the way we are. I'm also a realist, though, that we need to have an exit strategy that in the long term will take us away from those costs that you have mentioned, social costs being on the property taxpayer. We're the only province in this country that is doing that, and it needs to come to an end. Otherwise, the taxpayers may end it for us through a property tax revolt.

Mr. Prue: My second question is, again, back to property taxes. You talked about the experience in California, Florida, some of the US states where they cap. I would agree with you that a cap may be a good idea, but I just caution, and I want your input.

California capped it at 2%, and as a result, they do not appear to have sufficient funds or monies within the municipality, within the education system. California has gone from being one of the best, top 10, to being one of the bottom 10 in terms of education, and it's a result of that cap. Should Ontario cap it, should the cap be more realistic—say, at 5% or some other number? I'm very cautious about that 2% that California has done.

Mr. Bradley: I would agree with that. I'm very concerned about that too, because caps can be arbitrary. We've seen it happen in a number of American states; they have actually lowered the quality of life. But I do believe that you can't afford—I can give you a couple of really good examples.

In this community, if you look at the lake here, people say, "People live on the lake." We have people who have lived on the lake for 40, 50, 60 years. They are property-rich, and yes, there will be a huge benefit to them when they sell that property. Their home probably hasn't been touched up or moved forward in 20, 30 or 40 years. Those people are being literally forced out of their homes.

So there has to be a solution, and I think what was probably the biggest problem in the past was it became too partisan. I recall the Rae government came forward with what I thought were some good suggestions back in the 1990s on reforming property tax. The second you bring them forward, you're into a partisan war.

1030

I would like to see the three parties agree to the process of coming up with property tax reform, because what we have right now is a tire with 24 patches on it, and at some point, it's just going to explode. There needs to be a fair process to come up with a way of a fundamental, true reform of property tax, and it involves that other issue you raised about exiting from the social services. But it needs to move away from this partisanship, because that's what's killed the reforms in the past. It's too easy a target, because every reform brings issues that people can use.

The Chair: Now we'll move to the government and Mr. Arthurs.

Mr. Wayne Arthurs (Pickering-Ajax-Uxbridge): Your Worship, it's good to see you. I think you're right in many respects. I know when I left municipal office a couple of years back, the three years prior to that, from 2001 to 2003, in a community that would seem to be growing and prosperous, we raised our local tax rate by 23% over three years, and there's no end in sight. I think your comment about a tax revolt pending with the property tax is accurate, and I'm glad to hear you saying it from the standpoint of getting it on the record for us.

As you said, the things with the gas tax have been well received, and the upload of public health is being well received, but with the downloads that occurred, not only was there an initial cost, but they were downloads that have an escalating value to them, outstripping anything else.

Your suggestion that we have a less partisan process with respect to property tax reform: I'm going to suggest that an all-party committee, whether it's a standing committee or a select committee, might be a strategy. You may want to comment on that as well.

Two things: In addition to the functions that are currently on the property taxes, which of them would you see providing the greatest relief or the likelihood of relief in the short term? Secondly, what's happening with your debt load on capital? Are you faced with the situation where your debt load is increasing and thus your operating cost to service your debt is increasing disproportionately?

Mr. Bradley: On the first question, I think land ambulance and daycare and those social services should all be removed, but again, being realistic, there needs to be a time frame that's fair to both parties as Ontario moves to balancing the budget.

On the other issue, though, about a non-partisan approach, I almost think you have to say, "We will have a non-partisan approach on property tax reform, and we will abide by the results, whether or not we agree with them all." We've all been in public life when you sometimes have to bite your tongue, when you see one issue that comes back that you don't like, but you agree with the general direction and just accept that result.

In our case, our debt load is too high because we went ahead and built a new sewage plant and we had to upgrade our water plant. It's probably about 60% of our debt, along with one other facility. We're working to pay that down. That's a tremendous burden, but it's one that we felt was responsible to the environment. How can we tell local chemical companies, "You're polluting the St. Clair River. Clean up your act," if we're not doing the same thing?

So the debt load is a big concern for us, but I recognize, as you do in Ontario, that debt is also the investment in the future of the province. We have it in business parks, like our research parks and our new business park; we have it in the sewage plant and the water plant to satisfy the development community and to have a clean community. So I see it as a balancing act. But it certainly has been a lonely time in the 1990s, as you would know, as a mayor, in getting support for these types of projects financially. We get heavily criticized for the debt, but I'd rather be criticized for the debt than have a community that doesn't function.

The Chair: Thank you. We'll move to the official opposition. Mr. Barrett.

Mr. Barrett: Thank you, Mayor Bradley. I know MPP Hudak has a question on OMERS. There are so many issues.

I hear what you're saying on property taxes and extending the life of the Lambton generating station. We've visited Sarnia so much in the last couple of years, with the spills bill, Toronto garbage going through Sarnia to Michigan, and the impact of a smoke-free Ontario on the Point Edward casino. Would you want to comment on any one of those? We don't have much time, and I know we want to cover OMERS as well.

Mr. Bradley: Number one, no Toronto garbage coming through here: The province solved the problem. That's an easy one.

Mr. Barrett: Got it.

Mr. Bradley: Smoke-free, and you may not like this one: I led the charge to get Lambton county smoke-free on September 4, 2004. Yes, sure, we've taken a hit at the casino and at the slots, but so be it. I would urge you, when you move forward on this legislation, that it comes down to being very simple: It's lungs versus loonies. I'm with the lungs.

On the other issue, just generally dealing with the spills bill, I'm a great believer in natural justice, and I do not believe a reverse-onus clause in that bill is fair. I don't think that should be applied in any other piece of legislation either. The principle of the bill is good. These companies need to deal with the reality that they need to clean up their act, but not reverse onus. I just don't think that's a fundamental part of our justice system.

Mr. Hudak: Your Worship, good to see you again. Thanks for taking the time.

Hazel McCallion, appearing before our colleagues in another committee last week, called OMERS the biggest download in the history of the province. You've expressed concern about it. I'll ask two quick questions, if you don't mind. First, is your view that the OMERS legislation is so fatally flawed that it should be withdrawn and started again, or just amended? Secondly, with respect to MPAC, could you characterize the rate of increase that we've seen for some of the taxpayers in Sarnia, and if a capping system were brought in, what would be the maximum cap that you would set?

Mr. Bradley: On the issue of OMERS, our concern is this, and we've seen it too many times; a good example is police retention pay. It was brought in by the OPP and then the city of Toronto, and now it's showing up in contracts across the province. The arbitrators start awarding, and the municipalities are in trouble. So that's our concern. I think the bill should be withdrawn. Being a realist, if we could work our way through some of those issues—it has managed, I think, to split the workforces, unfortunately, in Ontario, which is not a good thing. I don't understand this idea of a strike coming up on February 10, because that's only going to hurt local citizens; it's not going to have an impact on the province. I think the bill fundamentally is flawed, and I think you're seeing that from the opposition to it.

On the MPAC issue and on selling properties, I'm not giving you an answer. I'm simply saying we need to find a better way to cap and to protect those people who are getting—only 10% of the marketplace is driving the real estate market in Sarnia, and 90% feel the impact. There has got to be a way of dealing with that, either through the rate of inflation or a reasonable cap. We've had people here who have had 50%, 60% or 70% increases, and that obviously isn't reflected in their own household income increases.

The Chair: Thank you for your presentation.

SARNIA HEALTH COALITION

The Chair: I call on the Sarnia Health Coalition to come forward, please. Good morning.

Mr. Glenn Sonier: Good morning.

The Chair: You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Sonier: Absolutely. Thank you, Chair. My name is Glenn Sonier, co-chair of the Sarnia Health Coalition. I am before you today to speak on health care spending in Ontario.

In health care, there's a lot of discussion and debate about the sustainability of health care and the rising costs, but it's also about the ability to pay the costs. We believe the public spending on health care is not going to bankrupt everything else. Public spending in regard to health care is growing less rapidly than in the private sector, and we believe it can be achieved and controlled by the government through the power of single-payer administrations and government's greater ability to set prices and/or control expenditures through its buying power and lower costs of financing capital investments.

Canadians have clearly indicated that they want to spend more on health care through their governments and individually. There is nothing wrong with spending a greater proportion of the economy on health care, because health care is one of the economy's engines, offering well-paid high-tech jobs in a sector with strong consumer demand. Provincial governments are spending more, but they are providing fewer services, having downgraded and offloaded to local levels of government or to the private sector. Health care is taking a bigger bite out of budgets because other government spending has either been constrained more tightly or cut.

Whether government spending on health care is or is not out of control is in the eye of the beholder. Constraints in spending are, in turn, a function of the box that governments put themselves in. Today's tight budgetary circumstances are direct results of an aggressive tax cut agenda pursued by federal and provincial governments since 1996. So while growing health care costs are one reason why the health care share of budgets is rising, another reason is that governments are actually spending less on other things.

In 2004-05 alone, the combined effect of federal and provincial tax changes cost the public coffers \$63 billion. If just a fraction of the tax cut agenda had been diverted to public health care, there would be no fiscal crisis in funding health care. To resolve this problem today, we would only require reversing a small portion of these cuts. In Ontario, simply restoring one percentage point to each personal income tax bracket, which is but a fraction of the reductions since the mid-1990s, would yield about \$2.5 billion in new revenues. This is exactly the amount raised by the new Ontario health premium.

1040

There is a not-so-subtle shift toward user-pay systems, increased health premiums, higher deductibles or delist-

ing services entirely from coverage through public insurance. The present choice of provincial options to pay for health care offloads costs to people who can't afford it in the same way that the federal government offloaded costs to the provinces. If governments feel that collectively society can't afford public health care, then what makes them think Canadian society can afford private health care if we pay for it individually?

The costs for health care are rising. How we pay for those rising costs is a political, not an economic, choice. It's more about managing costs than cutting costs. There are a number of key items that affect the sustainability of public health. Those are labour shortages, in regard to doctors, nurses and technicians; soaring drug costs; long waiting times; increased public funding for for-profit care; and capital investment.

The answer to our health care problem is not just more money. More money is required to get through the next stage of needed investments in people and equipment. But this rate of growth in costs will decline if we can establish a plan to be more effective purchasers of pharmaceuticals, to address labour shortages, to integrate and streamline the provision of care, and to expand and maintain physical capacity. Improvements are achievable and can be achieved by the government when the government plays the lead role of public financier for the wave of necessary capital investments, and coordinates and assists in shouldering the cost of training new health professionals.

In regard to training, the government can help offset the cost of training the wave of new health professionals. There will be an increase in retirements of health professions due to demographics. It takes time to train nurses, doctors and technicians, but there is no integrated plan to meet this challenge in a way that avoids one group poaching from the other. A combination of scholarships and grant mechanisms could be made available to students training as health professionals in a range of occupations. Free tuition could be offered as a quid pro quo for successful graduates who agree to serve in rural, remote and underserved areas for a fixed duration.

In regard to infrastructure, it is estimated that the capital cost required to expand and upgrade hospital infrastructure in Ontario alone will be between \$7 billion and \$9 billion. Repair and expansion of infrastructure have been held off for over a decade. As we see it, governments can borrow money at the cheapest rates in the country. Cash-strapped provincial governments are turning to the private sector to build needed infrastructure, but private sector financing is the most expensive way to build.

The growth in public financing of investor-owned health facilities is one of the threats to Canada's public health care system. Labour costs, drug costs and even wait times can go up and down over time. Policies and funding changes can make these things better or worse and are controllable, but the increase of publicly funded, investor-owned, commercialized health care is not easily reversed by policy, as we see in the new LHINs legis-

lation whereby the power to control private health care is not there, given contractual obligations stretching out 20 to 30 to 60 years.

Governments that turn to the private sector to help shift the cost of investing in health care infrastructure and service provision are implementing short-term fixes that hurt public health care in the long run. Why? Because it costs more to go private. The extra costs of private financing are considered attractive when it appears that capital charges can be shifted off the public books or when it is assumed that governments have transferred the risks of building to schedule or to budget. Bond rating agencies around the world are assessing the risk transfer in these deals as limited or nil. Taxpayers don't save any money unless there is full risk transfer. Even if investors absorb unanticipated cost increases, when cost overruns go up too much, companies fold and the taxpaying public is left holding the bag. If governments can't fool the bond rating agencies with these deals, they shouldn't be trying to fool the taxpayers. There simply is no cheaper form of financing arrangement than public borrowing.

Offices of the Auditor General are questioning the value of public-private partnerships. Either workers get paid less, leading to lower quality, or services are restricted to provide room for returns on business investments.

There is another reason that it's cheaper to keep health care public: Governments have enormous purchasing power. When they choose to consolidate procurement practices, there is an enormous bulk buying payoff in volume discounts.

It's time governments stopped experimenting with alternative funding and delivery arrangements and started focusing that creative energy on ways to harness the power of public financing to give us better value for money.

I know I've covered a number of different areas in this submission, but health care is an important issue to the public. Thank you.

The Vice-Chair (Mr. Phil McNeely): Thank you, Mr. Sonier, for your presentation. We'll go to the government. Mr. Arthurs.

Mr. Arthurs: Glenn, thank you for the presentation. We've had a couple this morning from various coalition groups, not necessarily on health. Can you just tell me generally who the membership is, what the range of membership is on the coalition?

Mr. Sonier: Sure. The Sarnia Health Coalition is affiliated with the provincial body, the Ontario Health Coalition; there are a number of coalitions throughout Ontario. In Sarnia, it's open to the public. We have a number of people throughout the public: nurses, doctors, various practitioners throughout the area who participate. We have monthly meetings, and we try to educate the public on the issues of privatization versus public health care and the impacts—in this day and age, they have expanded because of the delisting of services due to cutbacks throughout the system.

Mr. Arthurs: If I gather right, primarily interested professionals and citizens are part of the coalition, not necessarily organizations.

Mr. Sonier: That's right.

Mr. Arthurs: Thank you; that helps. Often you don't get the background. There was another one earlier, and I didn't have the background and didn't have a chance to ask the question. It's for my interest.

A lot of what you're saying is, I think, "Let's make sure we use the available dollars as wisely as possible in a publicly funded system." Part of our government's objective is to work on prevention through a new Ministry of Health Promotion to help drive down the need to go to doctors or nurses; focus on primary care so that we keep folks away from the hospital where the high-end costs are really occurring; and when we get to hospitals, focus activities such that we're maximizing the dollars there and thus ideally have more dollars at the end of the day to provide for that kind of care. Would you generally support a strategy like that, where you'll get prevention as a key priority, a focus on primary health care up front as quickly as possible to avoid those other costs, and thus have more dollars available in the system later?

Mr. Sonier: There's no doubt that there's a push for prevention—better community health. But at the same time, there has to be a review of where we were, let's say, 10 years ago in regard to health care dollars and where we are today. From a community perspective, we see a continued effort to download services to the community, which is something the mayor spoke on previously. We continue to see that happening in the health care system, and it has an effect on the community. If the services are no longer going to be available, for example, through the hospital because they can't afford it and their budgets don't carry it, then those services get downloaded to the private sector or to different community groups, which now have to go after funding themselves. In effect, when the funding isn't there originally, it gets offshoot somewhere else.

The Vice-Chair: Thank you very much. We'll go to the official opposition.

Mr. Hudak: Mr. Sonier, thank you very much for the presentation.

I certainly remember that in opposition Dalton McGuinty was very strongly and clearly opposed to a private sector role in health care. But since becoming Premier, he has pursued a bit of a different course; for example, a significant number of privately financed hospitals have been announced in the province. They say they're not public-private partnerships, but groups like the health coalition say they are. Is Dalton McGuinty telling the truth?

Mr. Sonier: I could sit here and say there have been a number of issues the Liberal Party has stated that have not seen fruition. But in regard to the point you raise, the announcement of private health care setting up in London, Toronto and Ottawa, I think we could do more rather than sit back and wait and see if they cross the line. I think we need to be more proactive. It's like watching somebody break into your house. Do you wait till they get in, or do you stop them before they get there?

1050

Mr. Hudak: The other issue they've proceeded with is private clinics; I think they're for cataract surgeries. They talked about not wanting private health businesses involved in the province, and they've recently announced some clinics. They're not-for-profit, but private companies nonetheless. Does the health coalition have concerns about private clinics?

Mr. Sonier: Absolutely. The minute you open a private clinic, no matter what the service is, it means that somebody's jumping the queue. You've already set up a two-tier system that's starting to work toward privatization.

Mr. Hudak: The third area you had some concern about was the LHIN legislation. This past week, while Hazel McCallion was ripping the government about their OMERS download, there was also heavy criticism by various union groups about the LHIN legislation. What specifically are your concerns about the LHINs and their impact on health care?

Mr. Sonier: To be short and blunt on the LHINs process, having had an opportunity to review the legislation, I didn't see enough language or legislation that would cover privatization. There's a lot of power to the minister to deal with the public health care system and all the agencies within it, but there's nothing to control privatized corporations in the LHINs program. The second thing is that I think a lot of people believe there's a new level of bureaucracy now being created. There's a lot of power in the LHINs legislation that I think a lot of people are starting to look back on it and say, "You know what? I'm not sure if it's heading in the right direction."

The Vice-Chair: Thank you. The third party. Mr. Prue.

Mr. Prue: I want to talk about Copeman. I was down there for the opening of that—my hair just about stood on end—and I was very disappointed the next day with the minister's announcement that what he is going to do is sit back and watch. Basically, what it is—and I know you know—is that you pay \$1,200 up front, and then you pay \$2,800 a year. So for the first year, you pay \$4,000. For that, you get a one-hour assessment. That's the hook. But that's not really what you get. What you get is privilege. You get 4,000 patients who pay millions of dollars to Copeman and then have access to eight doctors. That's 500 per doctor, and you can go in any time you want. That's what you're buying, and the health system pays for it. How do we stop this man? How do we stop this company? I think the minister needs to have some instruction.

Mr. Sonier: I think the point is that allowing a corporation like that without being stopped infringes on the Canada Health Act in regard to two key principles: accessibility and universality. I think the way you stop that is, the government just says, "You know what? That type of business isn't open for business in Ontario."

Mr. Prue: They admitted in Vancouver—the eight doctors who run that facility were all taken from public health institutions; they no longer work for those in-

stitutions. They paid them more. They pay them an extra \$200,000 a year, which they can obviously afford when they're charging these prices. That means there are eight fewer doctors in Vancouver. That's what's going to happen here, is it not?

Mr. Sonier: Sure, and I spoke about that in my presentation. If you don't have a proper plan or if you're not proactive on the issue, you get Peter robbing Paul. The best float to somewhere else. It's like workers—technicians in the petrochemical industry in this area. They're going to flow to the best-paying employer.

The Vice-Chair: Thank you for the presentation.

SARNIA-LAMBTON CHAMBER OF COMMERCE

The Vice-Chair: We will go on to the next presentation, the Sarnia-Lambton Chamber of Commerce: David Grant, chair; Garry McDonald, president. Please come forward. If you wish to start, just state your name for the purposes of our recording Hansard. You have 10 minutes.

Mr. Garry McDonald: Thank you very much. My name is Garry McDonald. I'm president of the Sarnia-Lambton Chamber of Commerce, and with me today is our board chair. Truly, he is with me. I think he was admiring the new facilities, which perhaps you've had a chance to take a look at yourselves here this morning.

Our chamber of commerce is pleased to have this opportunity to make a presentation. Our chamber represents 885 member businesses in this community, and we represent 18,000 employees living in households with close to 40,000 people.

We've made many presentations to all levels of government on important matters to our community. In November 2004, we took a delegation of 50 members to Queen's Park to speak with 10 ministries about issues that could help Sarnia-Lambton and, therefore, the province. Caroline was of great assistance to us to that end.

Today we're going to speak to you about items not resolved with budget 2005-06, from our perspective, and provide you with information from the member survey that was completed here at our chamber in January 2006.

In your package this morning, you'll find a letter, and you'll also find some PowerPoint slides. The PowerPoint slides encapsulate our presentation. I'm going to speak primarily from the letter, because it's a little bit more detailed, but you may follow along if you like.

In your 2005-06 budget, there were things that we liked. We liked the investment in skills and apprenticeships. We liked the efforts to address research and development by creating regional integration networks in southwestern Ontario, particularly from the biotech standpoint; that was important to us. We liked the opportunity that you provided to leverage opportunities with the private sector for infrastructure. We also liked the fact that there was no new taxation.

I should indicate that our board's chair, David Grant, has joined us at this time.

Mr. David Grant: Good morning.

Mr. McDonald: Things that we were disappointed with in the budget included: some of the revenue and deficit targets not being met; the debt and debt-servicing costs were rising considerably, to 12% of the budget; we felt the taxation growth estimate, at 4.9%, was extremely aggressive; the energy policy that was existing at that time and has now been put into place, we feel, is going to be hurting the competitiveness of our province; there were no new tax reductions in last year's budget; and there was no addressing the property tax and the property tax assessment system. We felt that those were things that were missing from last year's budget.

Looking forward at the survey material that was completed with our members, we can speak about the confidence that our members in the business community have here locally. Close to 60% of our members believe that they'll have a stronger performance in 2006 and 2007 than they had in 2005. There's a lot of capital investment going on in our community, and that was a result of boardroom decisions in 2001 and 2002, while industry works ahead for many of those capital decisions. For our members, though, they believe that Ontario will not enjoy the same success economically in the next two years. Some 70% of our members believe that the province's economy will flatline or perhaps fall. This lack of confidence is something that needs to be addressed in your strategic decisions this year.

Our members had some comment about where they're making their investment at this time. Clearly, they're investing in productivity. But what was more important to us was that our members were saying they're not investing in research and development to the extent that we feel needs to take place, as a province. Perhaps more work needs to be done there in terms of leadership from the province.

They had some comments on taxation reform, which you can read. I'm going to skip over that for the sake of time.

Streamlining regulations: Our members feel there is much more work that needs to be continued in the area of corporation tax, red tape removal, provincial auditing and also workplace safety regulations—there are many that have been introduced, and we feel that there's a great and growing amount of red tape as a result of that in dealing with inspector issues, and that needs to be a caution for this committee to take into consideration.

The members did have some comments about the possible sale of provincial assets, which you can read there. Generally, it was yes, if the conditions are right and everything.

Our top three priority areas for the province to consider are: health care, energy price and supply, and property tax and assessment.

I want to spend more time now with our recommendations, which embody the remainder of the report. Our members feel that strategies going forward should be in the area of emphasizing growth, should emphasize debt reduction, should restructure some tax policies,

should improve access to infrastructure funding, should eliminate the deficit as soon as possible, and health care access needs to be improved. I'm going to spend some more time looking at those more completely.

1100

First off, our most important growth strategy, we feel, is to address the report of the Ontario Power Authority, which was limited by not having an analysis of the coal opportunities. We think the results of the Ontario Power Authority report need to be thoroughly studied and questioned so that we have solid and competitive price, supply and reliability going forward. It's of enormous concern to this community, but we think we're speaking on behalf of the province when we say that also. It's of enormous concern going forward. We do not want to be a net importer of electricity at very high prices.

At the end of the day, when the government does follow through with plans to retire coal plants, we think those OPG assets have a great future, and we think they need to be considered for other energy projects or other provincial projects. They're too important to the communities to leave them as brownfields, and we hope there's direction and leadership from the province in that area.

We hope your strategies encourage investment in research and productivity. We feel, in particular with productivity, that you can reach those goals by eliminating the capital tax much earlier than you're discussing at this time and reducing corporate taxation so that we become more in line with our five key competitors.

We like the work of the Small Business Agency of Ontario. We know it's going to do good things. We'd like to have that work acted on quickly so that regulations and red tape are reduced quickly.

With all respect, we'd like to point out that legislative bills, many of which have been passed in the last couple of years, certainly lead to achieving a political agenda, but they also sometimes lead to perceptions on the part of other global businesses and communities regarding how competitive this province is. We need to always keep in mind the perceptions that some of those regulation changes are creating out there.

Finally, from a growth standpoint, as the Far East manufacturing giant rises, we're hoping that this province will continue to strongly support agriculture and tourism, two unique assets that we have that perhaps are not duplicated by others and that can always bring us job growth and job creation. We cannot continue to make those ministries targets to make up monies for perhaps other ministries and other strategies. So we need to keep those in a viable form.

The Vice-Chair: You have one more minute.

Mr. McDonald: I see. Debt reduction: Get that debt servicing looked after. Tax policies: We think that the private sector has a greater role to play in competition with MPAC—we'll be happy to answer questions on that—and we fully support a property tax review being completed.

We think there's greater flexibility needed for local municipalities in managing police budgets, and we hope for amendments to the Police Services Act so the municipalities can have greater control. Infrastructure improvement should be improved for municipalities. Eliminating the deficit: Keep to your targets of 2009. We need to have that balanced budget.

Finally, health care access partnerships must be entered into. There are many existing now with the private sector. If you wish to achieve your political agenda of access and reduced wait times, we think there is a greater role within the public system for private operators.

The Vice-Chair: Thank you very much for the presentation. We will go to the official opposition. Mr. Hudak.

Mr. Hudak: Thank you both for the presentation. It's good seeing you again. Thanks for a very comprehensive presentation. You hit the nail on the head with respect to the provincial finances. There is a strong addiction to spending that exists in Dalton McGuinty's cabinet. If they had actually stuck with the original 2004-05 budget, their spending predictions for this year, we'd be in a surplus, as a matter of fact, because the revenue has increased substantially. But for every dollar they take in in windfall revenue, they go out and spend even more, and we maintain this untenable deficit situation.

With respect to tax rates—

Interjection.

Mr. Hudak: Well, they'll play up this fantasy, but the reality is that their own budgets forecast that they should actually be in surplus this year, but they have increased spending at the fastest rate—actually made Bob Rae and David Peterson blush.

So first, with respect to tax rates, the feeling is that we should reduce corporate and capital tax rates to spur business and secondly, on the hydro policy side—just to make sure it's clear—the feeling is that we should maintain the Lambton generating sites to ensure that we have a better power supply in the province of Ontario.

Mr. McDonald: I'll speak to the energy issue first. We've always maintained that coal is a generating source, but I think all of our generating sources need to be judged based on what they can produce as far as air emissions and environmental quality, not based on what they are as a generating source. We think that needs to be the criterion on which you base those items. Whether you're burning peat, coal, gas, whatever, if you have energy emissions that are satisfactory, that needs to be the deciding criterion. If that means that the coal plants can stay with conversion, then yes, we support that, and we certainly see in this economy locally that that would be beneficial.

Mr. Hudak: With respect to MPAC and the use of other options for assessors for municipalities, is your concern about the quality of the assessments—they're getting the value wrong—or are you concerned more with the rate of increase in property tax assessment?

Mr. McDonald: We noticed that locally, municipalities are paying an inordinate number of dollars in their

budgets to support MPAC. We've had indications from private firms, some of which have written to Premier McGuinty, that there are huge dollars to be saved by those local municipalities in MPAC fees with the same quality of service capable of being delivered. Alberta has set this system in place. There's good value for the local taxpayer as a result of this, and you get the same quality of service.

Mr. Hudak: One of my colleagues, Mr. Yakabuski, has put forward a private member's bill that did win some support from all three parties to allow the gas tax to go to transportation infrastructure in general, whether it's roads, bridges or public transit. Would you support Mr. Yakabuski's approach?

Mr. McDonald: Based on that brief description, I think we would, just from the standpoint that each municipality is a little different, and to strictly hold them to guidelines, like transit perhaps, means that we have so much going to Sunday afternoon travel on a bus that we need to give them greater flexibility to use it in areas around our communities of benefit to the local taxpayer. That's also going to benefit the local economy.

The Vice-Chair: Thank you. We'll go to Mr. Prue for the NDP.

Mr. Prue: Two questions. The first one has to do with restructuring of tax policies. You were looking for a property tax review panel. The finance minister has already said that he's not going to do that. What else can we do?

Mr. McDonald: Well, I have a limited understanding of Beaubien reports 2 and 3, but it seemed to me it was the next level of the redesign of the property tax system, where you would permit capping to eventually be eliminated in certain classes. Right now we have these rules that keep changing each year, adding greater flexibility to the municipal level. We need to have a system where the capping is finally addressed, as it was in those reports—which have not been enacted, for whatever reasons—and also, then, movement within classes, residential versus multi-residential. All that was addressed and it's coming forward now as individual concerns from taxpayer groups, municipalities, whatever. The concerns are simply because we didn't finish the job in creating this system.

Mr. Prue: Okay. I'm very sympathetic, because I think businesses pay far too much in property tax. There are other ways to tax. We have to get money from somewhere, but property tax is just not working.

I'd like to go into the publicly funded health care system. We had a deputant—I think you saw him—who was diametrically opposed to what you're saying. Can you tell me how private people can operate the system more efficiently and at lower cost than government? Because I have never heard a cogent argument. Maybe you're the guy to tell me one.

Mr. McDonald: I'm not suggesting we should turn our system over. Our members are not suggesting that. Our members are suggesting that the publicly funded system and monitored system is what we value and want

to go forward. But I think there's an unwillingness to take that step to have discussions to look for areas where there perhaps can be greater benefit from private sector involvement and still keep the public system. If you take a look at your diagnostic areas, it's primarily private. Other than a hospital, diagnostic areas now are privately operated on behalf of the public system. If you look at your community care access, they go out for tenders to provide home care, a system which is growing and growing. It's private operations. There may be a few non-profits turned in there. But the perception is that private is bad. I think we need to understand that private is already there and it's not bad, so what more can be done within our public system? We do not want it to get away to corporate giants making a dollar or two extra; we want it to still be publicly controlled. But look at that access, because we have it already.

1110

The Vice-Chair: We'll go to the government. Ms. Di Cocco.

Ms. Di Cocco: Thank you, Garry, for your presentation. As usual, the chamber of commerce certainly lends a great deal of depth to arguments and to submissions to the government, so thank you very much.

I'd just like to deal with the infrastructure, the utilizing of infrastructure at the Lambton generating station, which I am in total agreement with, as you know. The mayor of St. Clair township and representatives of the day did meet with Dalton, with the Premier of the province, I think about a year ago, trying to convey exactly this message, which, as I said, I fully support. I think that there are opportunities there for us to move forward that way, whether it's conversion or whether it's some form of utilization of that infrastructure. So I thank you for using kind of a prudent approach in dealing with that.

I just have one question with regard to the notion of the gas tax that is being provided to the municipalities. Could you just reiterate or clarify what your suggestion was in regard to the utilization of that?

Mr. McDonald: Ours was simply to acknowledge what we've heard from some of our municipal partners working on issues in our community. They hope for the opportunity to use those dollars on infrastructure programs in their community without a long list of restrictions saying, "No, you can't." If there are some conditions and leniencies that can be built into that, I think more than our municipality will benefit from that situation.

Ms. Di Cocco: Thank you. My colleague would like to ask a question.

The Vice-Chair: Thirty seconds.

Mrs. Mitchell: I'll make my question very quick. I'm a member of the Small Business Agency, so I thank you for your support. I would like to take back to the agency your recommendations on what you feel are the most important factors that we can deal with as an agency to help small businesses grow.

Mr. McDonald: That's less than 30 seconds. I think the best I can tell you at this point is that business deals

with too much red tape—and if there are old red-tape issues there, those are the ones to attack first. If there is streamlining that you can promote on behalf of the government, those are the things to promote. Income tax streamlining, reporting streamlining, whether it's taxes or auditing: that's the best that you can do for small business.

The Vice-Chair: Thank you very much, Mr. Grant and Mr. McDonald, for a very clear message to us.

TOWNSHIP OF ST. CLAIR

The Vice-Chair: The next presenters are the municipality of St. Clair township: Joe Dedecker, mayor; John Rodey, chief administrative officer; and Charles Quenneville, treasurer. Would you please come forward. Good morning to the municipality of St. Clair township. Please state your name when you begin. You have 10 minutes to make your presentation.

Mr. Joe Dedecker: Thank you very much, Mr. Chairman, and thank you for the opportunity to be here this morning to make our presentation. My name is Joe Dedecker, the mayor of St. Clair township. I have with me my CAO from St. Clair township, John Rodey, and also our director of finance, Charles Quenneville.

We'd like to make a small presentation to you this morning, and once again, thank you for allowing us to be here today. I will ask my two staff people to make the presentation because they are numbers people and they can explain it a lot better than I can. So I'll turn it over to my CAO, John Rodey.

Mr. John Rodey: Hi. John Rodey, CAO, St. Clair township. Thank you for the opportunity to speak to you today. Specifically what we wanted to talk to you about and our purpose in being here today is the Ontario municipal partnership fund, which is replacing what used to be known as the community reinvestment fund.

Under the new program, the funding coming to St. Clair township will decrease from \$1.6 million to just under \$400,000. As we note in our presentation materials that are before you this morning, that means a 19% increase in taxes in order to replace the lost revenues.

Our main concern with the way the funding is done is that the rural small community measure, which is essentially taken from Statistics Canada, lumps in a northern urban municipality in St. Clair known as Corunna, with a population of about 9,000 people, and it represents about 55% of the population in St. Clair township. This is considered to be part of Sarnia and therefore is removed from the funding formula. Therefore we receive 45% funding rather than 100% funding.

We're the only rural municipality in Lambton county which does not receive 100% of the funding under the formula, and yet we are the largest rural community in Lambton county. We have the largest number of farms in Lambton county and certainly the largest number of rural kilometres of road in Lambton county, so we feel there is a basic inequity in the way that the formula is calculated.

I'll turn this over to our treasurer to allow him to explain in more detail.

Mr. Charles Quenneville: Good morning. I'd like to have everyone turn to exhibit D, which is the last page of the three-page handout, just to give you an overall flavour of what St. Clair township is about.

Listed here are all the municipalities in Lambton county. You'll notice that St. Clair has 120,000 acres of farmland. That represents approximately 0.9% of the farmland of Ontario. Looking at the road expenses, we have the highest road expenses. We have the most kilometres of road: 1,096,000 kilometres of road. The last three parameters are the grant components of the OMPF funding. You'll notice that St. Clair only received \$372,000 for the rural component; policing, \$201,000; and farm equalization. One thing with St. Clair township: We're located along the river. We have a lot of large industries. Our assessment base is fairly high. So if you compare it to the other municipalities in Lambton county, like Dawn-Euphenia, they're gaining \$856,000 in equalized farm payments; meanwhile, we get nothing. So I just wanted to give an overall flavour of St. Clair's size and its really rural base in nature.

I'd like to turn to exhibit B. Exhibit B gives a comparison of another municipality of similar size, population and households. I just wanted to show a comparison to show the inequities with this particular OMPF formula.

You'll notice that in St. Clair township households, we have approximately 5,963; meanwhile, Lambton Shores has 6,907 population households. The RSCM, which is the percentage which affects the amount of funding we receive for the rural communities grant and for the police grant, was rated only at 45.8%; meanwhile, Lambton Shores is 100%. We have 619 square kilometres of farm acres; meanwhile, Lambton Shores only has 331 farm acres.

If you turn to B3a, the rural communities grant, you'll notice that we only get \$372,000 in grant and we actually have 619 square kilometres; meanwhile, Lambton Shores has approximately half the acres but they're getting three times the amount of rural community grant, which is really an inequity. This formula, 45%, also affects the police grant component. You'll notice we only get \$201,000 in grant component; Lambton Shores gets \$557,000 in grant component. So there are a lot of inequities in Lambton county.

1120

I'll just give a little history. With the CRF program, which I believe originated in 1998, one of the components for the rural municipalities was a farm tax rebate program. What happened in the past is that our farmers, pre-1998, would pay 100% of the farm tax rebate, with the municipality getting a portion, and the province would reimburse the farmer 75%. Post-1998, they came out with a new program indicating that 25% would get assessed to the farmers and, through the CRF funding, the municipalities would get 75%. In the new formula of the OMPF, they don't match anything pertaining to the

farm component. Basically St. Clair is being penalized because we're the largest rural municipality in Lambton county. We find that's a real inequity because they changed the funding formula for the farm rebate program, and with the new OMPF, they don't support the farm program.

In our recommendations, just to kind of backtrack, is a summary of key points. There's a detailed document that was sent to the Honourable Greg Sorbara in September, a 26-page document that highlights everything in detail and discusses more points, and there are a lot of recommendations. One of our recommendations when it comes to the rural grant is that it's to be based on the farm assessment of the municipality based on the tax rate. Instead of coming up with a formula based on Statistics Canada, it should be more reflective in nature, similar to the police component. It should be reflected in perhaps the households and in the number of kilometres of road that we have to patrol. In Lambton county there is an OPP contract that everyone belongs to except the city of Sarnia and Point Edward. We have a similar contract. We're a very similar size to Lambton Shores, as pointed out previously, but they're getting twice as much provincial funding as we are. So there are some serious inequities. We pay the same dollar value every year but they're getting twice as much in provincial grants than we are.

In our summary, we find there are a lot of inequities and we have made a bunch of suggestions to make it more refined based on more specific parameters. We're hoping that the minister will incorporate this in his budget. We'd be happy to add any more inputs.

The Chair: Does that complete your presentation?

Mr. Dedecker: Yes, it does.

The Chair: Thank you very much. This round of questioning will begin with the NDP.

Mr. Prue: Thank you very much. From the very last paragraph of what you've written, you obviously did the right thing on September 26 by going to the Ministry of Finance. You followed that up with your MPP. But Mr. Sorbara unfortunately left that post. Have you had any follow-up from Mr. Duncan?

Mr. Quenneville: We've talked to our MPP, and we asked our MPP to follow up. No, we haven't had any follow-up. I believe we placed a phone call to set up a meeting, and we placed a phone call with the Honourable Greg Sorbara too. I think he was extremely busy, and they couldn't set up a timeslot for us for our presentation.

Mr. Prue: He has not been the finance minister since sometime in October; I don't remember the exact date. But Mr. Duncan and his office have not contacted you since October on this issue at all?

Mr. Quenneville: We haven't received any correspondence from any province of Ontario ministers. We just contacted our local MPP, and they're following up with the Minister of Finance.

Mr. Prue: I can't question her, but maybe when she asks the questions I can find out. It does appear to me that you have a legitimate grievance. Oftentimes, in government, the minutiae of a bill is not understood until

it's actually put into place. It has been put into place, to your detriment. Something needs to be done, and needs to be done through the actions of your local MPP.

I don't whether I have any more questions. I'm just going to turn it over and let her ask.

The Chair: Ms. Di Cocco.

Ms. Di Cocco: Thank you for your presentation. I know that the presenters here certainly spent a significant amount of time with me speaking about this. As you know, I did follow up with the Ministry of Finance, and we had another discussion. They were going to take another fulsome review of this whole position and land on some kind of final decision. I am not sure that what it is has been relayed yet. I think they were going to take a full review.

I just wanted to say that there was certainly some attention paid to, if you want, the Ontario municipal partnership fund and the strait that you suggested was going to happen. I believe today, actually, it was announced. I think St. Clair township got \$1,629,000, which is to offset some of the pressures, certainly, that you have in your municipality. I'm pleased to convey that all of the arguments and the discussion certainly have been heard by the Ministry of Finance in that regard.

I know that St. Clair township, for the people from outside this area, is south of Sarnia. It has in it Corunna, Courtright, Port Lambton, Wilkesport and, I believe, Bridgen as well. When was St. Clair township amalgamated?

Mr. Dedecker: In 2000.

Ms. Di Cocco: So it's now 15,000 people, I believe. Did you not meet with the ministry when you had your—I don't know if it was at AMO or at one of your meetings?

Mr. Dedecker: No, we didn't.
Interjection.

Ms. Di Cocco: Okay. Well, I can tell you that they have been made aware of it in no uncertain terms. We had a very, very lengthy discussion with the ministry. They are reviewing it, and I was told that they'll certainly be in contact with you about your discussion here.

The Chair: Thank you. Now we'll move to the official opposition.

Mr. Barrett: I wish to thank the township for coming forward. I've just received these documents now. Just to follow up on the letter of September 26—and I guess this question has been asked—you got no advice from, say, ministry staff, for example, or anyone else? I know you've copied it to at least three people sitting around the table here. There was no analysis of your numbers?

Mr. Quenneville: As of this date, no.

Mr. Barrett: Is there a recommendation here with respect to that—are you looking at, say, bringing back the old farm tax rebate program?

Mr. Quenneville: I think the OMPF is a great program. All we're asking for are more refinements that are based on perhaps the number of acres you have in your municipality. I think it's a great program. I haven't looked at the social part; I've just looked at the lower-tier

level. But I think if you add some refinements, for example, for policing to be a factor of households and the number of kilometres of road they patrol, that would have a more direct bearing.

Right now, it's based on Statistics Canada grouping places together in an urban area of 10,000 or more. Since we're so close to Sarnia, we're being penalized. Meanwhile, Lambton Shores, located 50 kilometres away, isn't penalized. That's why they gain so much funding. If our municipality was located, say, 10 kilometres south, then we'd be rated at 100% and wouldn't be penalized. Because of the geography of where we're located, close to Sarnia, we're being penalized.

Our big recommendation is that particular form they call the RSCM—if we were put at 100%, then we wouldn't have any quandary. We'd be recognized for the farm property tax that we're losing and some of the policing costs.

Mr. Barrett: I see that in 2001, there was an amalgamation. The population now, I think I heard, is 15,000. Is that a step along the way? Is there any further talk about amalgamation or eliminating one tier of government in Lambton county? Anything like that being discussed?

Mr. Dedecker: Not at this time. The whole county restructured for the 2001 municipal election. There's been no talk of more restructuring since then. We have a two-tier system here in Lambton county, and there has been no talk.

The Chair: Thank you for your presentation

Mr. Dedecker: Thank you very much for your time.

1130

ONTARIO LONG-TERM CARE ASSOCIATION

The Chair: I call on the Ontario Long-Term Care Association to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Ms. Heather Martin: Good morning. I'm Heather Martin, administrator of Vision Nursing Home.

Mr. Gilbert Heffern: Gilbert Heffern. I'm director of communications and public affairs of the Ontario Long-Term Care Association. Vision is a member of our association.

Ms. Martin: Welcome to Sarnia. Thank you for hearing our presentation on behalf of OLTC's 428 member homes, which provide long-term care and accommodation to some 49,500 of Ontario's oldest and frailest citizens.

Vision Nursing Home and the 10 homes in Sarnia-Lambton are part of the local health care infrastructure that provides care and accommodation to 1,044 residents. Like all 600 homes throughout Ontario, we are struggling to ease the impact on residents of a gap between care required and care provided. Without a significant increase

in operating funding now, we will lose the struggle. This will have negative consequences for current and future residents and government's transformation agenda.

We understand if you are skeptical. After all, successive governments have announced increased funding for more staff, specialized programs, lifts, and so on. We are also not suggesting that these have not made a difference. What we are advising is that if these initiatives have led to feelings that long-term care has been fixed, nothing could be further from the truth. Let me explain.

You've likely heard of government's 2001 level-of-service study, which was based on 1999 data. This study showed that for residents with similar care needs, Ontario provided the lowest level of care among the study's 10 other jurisdictions. For example, the study showed that Ontario provided 2.04 hours of care, compared to 3.07 in Saskatchewan. Government's investments since then have raised our care levels to about 2.4 hours per day. This means that Ontario is still providing about 40 fewer minutes of daily care to each resident than Saskatchewan provided in 1999. Yet, in that time, Ontario's documented care levels have jumped by over 10%. That's why we acknowledge progress. We must also be realistic about its extent.

The 2.4 hours of care mean that Vision Nursing Home and other homes are providing one nurse for every 60 or more residents during the day and up to 100 or more during the night; providing one personal support worker for every 12 to 15 residents, which translates into situations such as about eight minutes to get a resident up, to the bathroom, dressed, and to a dining room for breakfast.

It is not unreasonable to ask, if 2.4 hours of care is not enough—and it isn't—then what is? The short answer is, at least three hours, and climbing. This is the consensus of those knowledgeable about the requirements of long-term-care programs to meet increasing resident care needs in Ontario and elsewhere.

In Ontario, we are now providing care for older and frailer residents with more complex medical conditions. In a typical home, nine out of every 10 residents are at risk of injury to themselves or others and require assistance to do things, like get in and out of bed. Add the fact that six out of every 10 residents are also impacted by dementia, primarily Alzheimer's, and you start to see the extent of the care and support services residents require and the increasing demand on staff. We cannot meet this demand on the \$68.19 per resident per day that the government currently provides for nursing care staff and supplies.

Vision is a health care delivery site. At the same time, we are unique in that we are also the residents' home. Residents and their families expect that we will meet their physical and medical needs and contribute to their quality of life. This is consistent with the vision of MPP Monique Smith's 2004 Commitment to Care report. Since then, "home" has replaced "facility" in the government's lexicon; however, it takes more than a change of name to change reality. It takes therapies, activities and

programs that engage residents and help them retain their strength and functional independence. It takes professional services that minister to their social and emotional needs. This is difficult to achieve on the \$6.60 funding per resident per day that the government currently provides for programming and support. It is why residents who would benefit from one-on-one programming are lucky to get it once or twice a week.

Ontario is not unique in this trend towards increasing resident care needs. It is why Alberta, which already provides 3.0 hours of care, is talking about moving to 3.4. It underlines the conclusion from a 2001 major American study that homes with existing care levels below 4.1 hours of care were more likely to have quality problems. Where Ontario is unique, at only 2.4 hours of care, is in its tardiness to catch up.

Before moving on, I would like to comment briefly on the contribution of accommodation services and the physical structure of the home to resident care and quality of life. Long-term-care homes are funded in three separate fixed and non-transferable funding envelopes: nursing and personal care, programs and support services, and accommodation. Government fully funds the first two, and that funding determines how many nurses and personal support workers there are in each home, how much programming can be provided and so on.

The accommodation envelope is largely funded by the resident copayment and pays for cleaning, repairs and maintenance, utilities, food service staff, laundry, administration, staff education, taxes and mortgages. Since 2001, new base funding has, understandably, been largely channelled through the nursing and program envelopes. We support this trend continuing. However, government would be neglecting its role as the ultimate guardian of Ontario's long-term-care program by overlooking the increasing impact of escalating costs of accommodation envelope services.

We are encouraged that government recognized these pressures in providing funding to offset the impact of the resident copayment freeze last summer. We ask that this recognition continue for future program funding at a level that recognizes that wages are increasing by 3%, utilities by 12% and so on.

Similarly, residents and families also recognize that we have a two-tiered accommodation system: 20,000 new beds built and 16,000 existing beds rebuilt to the 1998 design standards, and 36,000 beds in older homes built on 1972 standards. Government's continued silence in responding to the resulting resident privacy and comfort issues will increasingly impact service and public confidence.

We would like to say to you today that there are easy solutions to these issues and that a little will go a long way. The reality is, we know that there isn't, and we know that it won't. For example, government's 2004 \$96-million increase in base funding added some six to eight minutes of care per resident per day system-wide. Helpful, yes, but still far short of what residents require and deserve.

We believe it's incumbent that we speak up on behalf of residents and say to government: Don't stop now. Maintain the same level of commitment to long-term care that you exhibited at the beginning of your mandate over the course of your mandate. Specifically, we are asking government to increase long-term-care funding by \$306.6 million, or \$11.20 per resident per day, over the next two years to address priority resident care and service pressures.

At the same time, in a budget that is rumoured to be about infrastructure renewal, we are requesting the government to invest \$7.5 million to upgrade 2,500 beds in the first year of a continuing capital renewal program. These initiatives will make a difference. They will add over 2,000 staff to OLTCA member homes and begin to address the sector's two-tiered accommodation disparity.

As an administrator, I can tell you that families will view more staff as tangible evidence of government's commitment to meeting residents' needs. Conversely, the absence of additional staff, I believe, will say to them that long-term care is no longer a government priority. In fact, the absence of a significant increase in operating funds this fiscal year and next will translate into staff and service reductions in many homes.

1140

The size of the gap between care required and care funded is such that partial progress is not sustainable. If government stops now, we begin to quickly slip back. This will also impact long-term care's ability to support government's wait time reduction and system transformation strategies. For example, we will find it extremely difficult to take heavier-care hospital patients when we're struggling to meet the care needs of our existing residents. This is unfortunate, given that we could help ease the pressure on hospital beds and provide a more appropriate recuperative and rehabilitative environment for those patients.

Ladies and gentlemen, Vision has been proud to contribute to the lives of people in Sarnia. In that we are no different than the other homes in other communities throughout Ontario. Like them, we also have the desire and commitment to ensure that the long-term-care program that we deliver on government's behalf is progressive in both its resident care and its contribution to the health of all Ontarians. It is up to the government, however, as the program steward and, more importantly, the care funder, to provide the required resources and support.

Today we ask you to lend your voice to our request. Thank you.

The Chair: Thank you. I might add that you have impeccable timing. You were exactly 10 minutes.

Ms. Martin: Oh, perfect.

The Chair: Now we move to the government. Mr. Arthurs.

Mr. Arthurs: Thank you for the presentation. It was cogent and got to the point of the dollars. Actually, you got to my question a little later on when you were specific about some dollars. If you'll just maybe repeat that

for me—I'll ask you because I want it on the record in more than one place.

Your request for funding over the two years to move from 2.4 to three hours, some \$396 million—was that the figure?

Ms. Martin: It's \$306.6 million.

Mr. Arthurs: Would that be for the first of two fiscal years, or is that the total over the—

Ms. Martin: Over the two years.

Mr. Arthurs: Over the two years; or \$11.20 per resident, and that would achieve the move from 2.4 to 3.0 hours. That's the primary objective you would have. There was a list of items, including some \$7 million for capital rehabilitation. If you have to prioritize, my sense is that the priority would be on the personal and support care for the residents. Is that a fair assessment?

Ms. Martin: I believe that's the case, yes.

Mr. Arthurs: The actions of governments over the past few years, both from capital investments a few years ago and a move to begin the process of providing additional resident care, are moves that you support and, it says, even applaud. I'm not sure I want to use a word that's quite that strong, but nonetheless, the movement has been in the right direction, but you're concerned about slippage if it doesn't continue.

Ms. Martin: That's the reality.

Mr. Arthurs: Even at three hours for care, we still wouldn't meet the international standards by research or where other jurisdictions are.

What's happened in Saskatchewan? I think Saskatchewan, you said, is currently at or was at 3.4?

Ms. Martin: It was 3.04 in Saskatchewan in 1999.

Mr. Arthurs: Yes. Any idea what kind of movement has occurred in those jurisdictions?

Ms. Martin: I don't believe I have that.

Mr. Heffern: No, we don't have a comparable figure. That was the figure that would have existed in the study that was done in 2001, which was on 1999 data. But talking to our colleagues out west, the sense is that it is going up. We know Alberta is at three now and the public discussion there is about going to 3.4. And it's all based, of course, on the fact that we are dealing with an aging population that's changing the face of the resident that we're delivering to. It requires a higher level of care, not just in Ontario, but elsewhere.

The Chair: Thank you. Now we'll move to the official opposition.

Mr. Barrett: Thank you, Heather. I appreciate the presentation of the Ontario Long-Term Care Association. You made mention of your 428 member homes. I should know—does your membership include the not-for-profit, the private?

Ms. Martin: There are members from the not-for-profit, private, charitable homes.

Mr. Heffern: And municipal.

Ms. Martin: And municipal homes. It's open.

Mr. Barrett: There are about 600 homes. Is there another association, then, or not?

Ms. Martin: The Ontario Association for Non-Profit Homes and Services for Seniors, which is more representative of the municipal homes.

Mr. Barrett: Is there any discrepancy in either capital or operating grant money available to the private or not-for-profit, for example, compared to the homes that are funded through municipalities? Is there a difference—

Ms. Martin: The funding model is the same. Vision Nursing Home is a non-profit, charitable, private nursing home, so we're a little bit unique. The difference to the municipal homes is that they can access the municipal tax base for additional funding to their homes, but not on a provincial level.

Mr. Heffern: The provincial program is consistent, irrespective of the provider. I mean, it's a government program; the government contracts with four different types of providers to provide the service and provides it under one and the same operating, regulatory and funding structure.

Mr. Barrett: You made mention of quite a significant investment, the 20,000 beds and 16,000 upgrades. Then you indicate that there are another identified 2,500 beds. Are these upgrades or brand new beds or—

Ms. Martin: There are actually 36,000 beds that are still classified as C beds, which were built to the 1972 design standards. Our request is to start a capital renewal program, initially looking at 2,500 beds to start, so that these 36,000 can begin to upgrade to the new standards.

Mr. Barrett: Would most of them be private or not-for-profit, or are they municipal, or is there no distinction between—

Ms. Martin: I would think that they're mostly in the private sector. Again, if I can use Vision as an example, we have the two-tiered system right on our site. We have a 78-bed new building built to the 1998 standards and 32 beds that are still built to 1972 standards. So as you cross through a hallway, you've got four-bed wards and two-bed wards, improved lighting and HVAC systems. Then you've got these older beds. People come in to the older beds and get on a waiting list to move across the hallway to the new home. So it's an on-site disparity.

Mr. Barrett: So it's not an intentional two-tiered system; it's just the way it's worked out—is that right?

Mr. Heffern: It's the evolution of the building structures in the sector. Again, I don't think they're exclusive to any one type of operator.

The Chair: Thank you. Now we'll move to the NDP and Mr. Prue.

Mr. Prue: I'm not accusing you of this, but I have heard this from other people: that, should money be provided to for-profit groups, the money won't necessarily go to care; it may just go to profit. Have you ever heard that? I mean, you must have heard that. Is that a reality?

Ms. Martin: The long-term-care sector is one of the most highly regulated and accountable sectors of the health care system. The majority of the funding that comes into the homes is designated to the nursing and personal care envelope or the program envelope and which, if it's not spent, has to be given back to the gov-

ernment. There are also other regulations, such as the amount of dietary staff that we're required to have on-site. Our food budget is regulated; my hours at work are regulated; our administrative. There's a very large component of the long-term-care sector that is highly regulated and accountable. I would say that while that comment may be there, I don't know of another part of the sector that's as regulated as us.

Mr. Prue: We have also heard from others that the food component is not adequate, that it's about \$5 a day per resident, which is about half what the province spends on raw food for a prisoner in an institution. Is the food budget sufficient?

Ms. Martin: Absolutely not. I say that unequivocally. We spend probably at our home 15% to 20% above what the government funds us for. If I say where my biggest complaint is, other than hands-on staff, it's food.

Mr. Prue: In terms of the hands-on staff, what you said makes eminent sense; getting it up to at least a level consistent with other providers. People who live in these homes tend to be, by a majority, women, and the majority are well into their 80s, with cognitive difficulties. What would this do to their life? I'd just like to hear what impact it would have on their life.

Ms. Martin: I think if I could see the difference, it would be on Sunday morning, where all of our residents could make it to the dining room and have received appropriate care in the morning, and not been rushed. It is really a struggle. When you have three staff trying to get 26 people up in the morning to get them dressed, bathed, their teeth brushed, their hair combed, toileted before breakfast and then to the dining room before breakfast at 8 o'clock—this Sunday, it was 10 o'clock before our residents were all in and out of the dining room. It's impossible.

The Chair: Thank you for your presentation before the committee.

We are recessed until 1 o'clock.

The committee recessed from 1149 to 1304.

BIG BROTHERS OF SARNIA-LAMBTON

The Chair: The standing committee on finance and economic affairs will now come to order. Our first presentation of the afternoon is Big Brothers of Sarnia-Lambton. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I will ask you to state your name for the purposes of our recording Hansard. I'll give you a one-minute warning, if you like.

Mr. Michael Hurry: Thank you. My name is Michael Hurry. I'm the executive director for the local Big Brother agency in Sarnia-Lambton.

Big Brothers Big Sisters of Canada is a national organization with local agencies providing services to over 250 communities across Canada. There are 68 agencies providing services to communities in Ontario. Our organization provides high-quality, volunteer-based mentoring programs for school-aged children and youth.

Big Brothers Big Sisters of Canada has been providing one-to-one mentoring programs for children across the country for over 80 years. Men and women give of their time to become a mentor to a youngster who can greatly benefit from having an adult role model.

External studies and evaluations of our mentoring programs have revealed the remarkable, positive, long-term impacts of the work of our agencies. Studies have shown the outstanding ability of Big Brothers Big Sisters of Canada to make quality matches resulting in long-lasting, positive relationships: more than half of the Little Brothers stayed in the program for five years or more.

Over 80% of our Little Brothers attained at least a secondary school diploma, compared to 60% across the country. When you think that the children we're dealing with come from disadvantaged situations to begin with, to have the youth we're working with attain a secondary school diploma at a rate 20% higher than the national average is, I think, significant.

Little Brothers disproportionately went on to graduate from post-secondary education, earned more, had higher self-esteem, tended to respect authority and have a higher sense of right and wrong. These are based on studies that were done across the country.

Some 78% of former Little Brothers who had come from social assistance backgrounds no longer relied on social assistance.

Mentoring has made a significant difference in the lives of children. In addition to the above, it has been found that children who have been in the program are less likely to begin using illegal drugs or alcohol, less likely to skip school, more likely to become involved in community service and more hopeful about their future.

We now know from both personal experience and research that there is a strong connection between people's self-esteem and their ability to make good decisions and keep themselves safe. Good self-esteem is based on the belief that the individual is lovable and matters. They understand that they are worthwhile, can handle themselves in their environment with competency and know that they have something to offer others.

Big Brothers and Big Sisters organizations lead the way with mentoring programs across the country, with their primary focus being providing adult mentors to children and youth, someone they can identify with, guide them and help increase their level of self-esteem. The youth in our programs are considered at risk since children from single-parent, mother-headed families are known to be at increased risk of a variety of emotional and behavioural problems, as well as difficulties in school.

The National Longitudinal Survey of Children and Youth has demonstrated that more boys than girls have learning and behavioural problems. The most recent issue of *Newsweek*, January 30, 2006, includes a cover story entitled, "The Boy Crisis." The article states that "boys across the nation and in every demographic group are falling behind. In elementary school boys are two times more likely than girls to be diagnosed with learning dis-

abilities and twice as likely to be placed in special education classes. The number of boys who said that they didn't like school rose 71% between 1980 and 2001, according to a University of Michigan study." US Secretary of Education Margaret Spellings is quoted: "This widening achievement gap has profound implications for the economy, society, families and democracy." I would suggest that we are not far behind the American situation.

Research indicates locally, as well as nationally, that boys who have the benefit of an adult mentor perform better in school, attain a higher level of education and have a more positive attitude than those in similar situations who lack an adult mentor. The *Newsweek* article goes on to say, "One of the most reliable predictors of whether a boy will succeed or fail in high school rests on a single question: Does he have a man in his life to look up to? Too often the answer is no."

Through the Big Brother relationship youth at risk are happier, get along better with others and are exposed to new, positive opportunities that they wouldn't otherwise have. With the increase in their level of self-esteem and self-confidence, the boys have fared better in all aspects of their lives. Having somebody who has chosen to spend time with them because they want to and not because they have to has a significant impact.

1310

In Sarnia-Lambton, we have a healthy agency that has a higher-than-average number of volunteers involved in both our Big Brother program and our in-school mentoring program. We have, however, faced significant challenges. In the last two years, the agency has ended the year with an operating deficit. Again, we are fortunate that a reserve has offset these two shortfalls. I'm afraid that the agency cannot face a third operating shortfall without having an impact on our service delivery.

Why are we facing back-to-back operating deficits? Big Brothers of Sarnia-Lambton is a volunteer-based agency that does not receive any government funding. We receive 30% of our funding from the local United Way, and the remainder is fundraised locally by our volunteers through special events, bingo and Nevada proceeds, and donations from the community.

We can document the steady decline in revenue not only to our agency but to a significant number of local, not-for-profit organizations dating back to the opening of the slots at the racetrack. This declining revenue from funding sources like bingo and Nevada break-open tickets continued after the charity casino opened and has been further impacted by a decline in American patrons after 9/11.

The most recent drop in bingo revenue came when municipalities instituted a no-smoking bylaw on September 4, 2004. In the bingo hall where our agency operates, I can tell you that the profit going to organizations that operate in that hall dropped by \$1.1 million when we compare the year immediately preceding the no-smoking bylaw to the year immediately after that bylaw was enacted. We are aware that the province will bring in

provincial legislation for no smoking across the province. It is my understanding that one of the considerations in that legislation is a clause that will make it an offence to smoke within a certain number of metres of an entrance to a building. I can tell you today that that will have a further negative impact on our ability to raise the funds needed to keep our agency operational. Don't get me wrong; I'm not advocating for a reconsideration of the no-smoking legislation. I am merely pointing out one of the repercussions of this legislation. It is my hope that by understanding the challenges we face, some consideration might be given by the province to assist organizations that are trying to improve our communities and their citizens.

At the same time that we are experiencing funding challenges, we are also receiving an increased demand for our services. Last year, we were approached by one of our area high schools with a request that we provide a high-school-based mentoring program in their school, the long-term goal being that we would eventually provide the same service to other area high schools. They indicated they had identified 90 students out of a school population of 900 who were in need of additional support. School personnel felt that our success in both our community-based Big Brother program and our elementary-based in-school mentoring program placed us in the best position to meet their needs. Unfortunately, over a year after meeting with school personnel we are still not in a position to assist, not because we don't recognize the need, not because of an unwillingness to help, but due to the fact that we don't have the core funding to provide the service. With core funding, Big Brothers Big Sisters agencies across the province would be able, over the long term, to begin to address many of the concerns faced by children and youth at greatest risk. Increased concerns about school dropout rates, youth violence, youth suicide and many other safety issues outlined in the addendum to this report challenge each and every one of us to act now.

It is my submission that the various mentoring programs offered by Big Brothers Big Sisters agencies in Ontario are promoting wellness among the youth being served and are also promoting an increased level of wellness for the volunteers. These programs lead to healthier youth, volunteers and communities. This is what we want for the future of our province. We would suggest that these programs are proven and should be supported by whatever resources are available so that they can continue to expand to serve more individuals and make our province a better place for everyone to reach their true potential.

In closing, I would like to leave you with a quote from the book *Roots of Empathy: Changing the World Child by Child*. "Among her examples is a boy she calls Darren, who had a very troubled home life. He lost his mother at four, and lived subsequently in a succession of foster homes. In grade 8, he had already been held back for two years, and he dressed menacing. At the end of a visit of a baby to Darren's classroom, the mother of the baby asked if anyone wanted to try on the Snuggly, the

pouch in which a baby can be carried on a parent's chest. Then, to everyone's surprise, Darren offered to try it. He asked if the baby could be put in. Although the mother was a bit apprehensive, the child was put in, and snuggled up to him. Darren walked to a corner and rocked the baby for several minutes, after which he came back to the mother and the Roots of Empathy instructor and asked, 'If nobody has ever loved you, do you think you could still be a good father?'"

We deal with boys like Darren every day.

The Chair: Thank you for your submission. This round of questioning will begin with the official opposition.

Mr. Barrett: Thank you, Mr. Hurry, for that presentation on behalf of Big Brothers of Sarnia-Lambton. You make the case for the decline in revenue. You receive no provincial government revenue, I suppose; no government revenue of any kind directly.

Mr. Hurry: No, not directly. The only time we would ever receive any form of government money would be through Trillium. Occasionally, we get a grant to hire a summer student.

Mr. Barrett: As you indicate, much of that is left with revenue from the bingo operation or the Nevada break-open tickets. You've indicated a drop in bingo revenue when the municipalities here instituted the no-smoking bylaw on September 4, 2004. So the area bingo hall would have a number of other service clubs and what have you that rely on it?

Mr. Hurry: Yes. In the hall that we run, there are a total of 84 organizations.

Mr. Barrett: So the local bingo hall has indicated that their income has dropped by \$1.1 million.

Mr. Hurry: Yes, that's the profit going to those charities.

Mr. Barrett: The bingo hall is still open, is it?

Mr. Hurry: The bingo hall is still open. In Sarnia-Lambton, there are actually three bingo halls, so the impact on the three bingo halls is probably in excess of \$3 million.

Mr. Barrett: A \$3-million decline—and they attribute that to the no-smoking—

Mr. Hurry: Yes.

Mr. Barrett: So patrons would be going across the border? Would they be going to a native community?

Mr. Hurry: I don't know.

Mr. Barrett: What would the hit be on your particular agency, then?

Mr. Hurry: At one time we raised approximately \$50,000 a year from bingo. In 2004, our income was \$34,000; in 2005, it was \$16,000.

Mr. Barrett: Other bingo halls will obviously be impacted this coming May with the province-wide ban on smoking. A number have anticipated—I know a number have closed. This is an Ontario government policy, province-wide. It does have a direct hit oningos, which, on average, seem to have 50 to 80 charities connected with them. So is there a case to be made to see direct funding from the province in compensation?

Mr. Hurry: It would be welcome, I guess. I think a lot of the small organizations and communities are already suffering, the ones that have seen the declines in bingo revenue, and I think that'll continue. It'll get worse once the provincial law comes into effect.

Mr. Barrett: Have the area municipalities been able to help you out as a result of their decisions on the bylaw?

Mr. Hurry: No, and one of the things that they're facing is declining revenue from casino slots. Because they've had the same experience, that there's not as many people going to casinos or slots, so the municipalities have less money to work with.

Mr. Barrett: And going to Michigan, going to—

The Chair: Thank you. Now we'll move to the NDP.

Mr. Prue: Thank you very much. I was a municipal councillor and a mayor in Toronto before doing this. Our bingo revenues went down immediately, not because of smoking, because that didn't happen for a few years later, but because people started to go to other gambling facilities like slot machines at the racetrack and charity casinos. The bingo revenues were in quite a bit of decline before that. Were the bingos here in decline?

Mr. Hurry: Yes. A group of agencies have actually got together and documented our bingo revenues going back prior to the opening of the casino and the slots, and there's a direct drop in revenue to the organizations at each one of those openings. When the slots opened, there was a definite drop, and when the casino opened, it dropped again. It's been impacted by other things, as I indicated. When 9/11 happened, we saw a significant drop in Americans coming across the border. But probably the most significant impact recently has been the institution of the no-smoking bylaw.

Mr. Prue: Okay, but bingo has generally been in decline.

Mr. Hurry: Yes, because there were casinos and slots.

Mr. Prue: Well, or anything. As a gambling institution, it's been in decline for probably 10 to 15 years across Ontario. Would that be a fair statement?

Mr. Hurry: I would go back at least to 1998.

Mr. Prue: We need to find you some additional revenues, of course. This is the budget committee and we can make some recommendations. Would your group appreciate a recommendation that a certain percentage of the gross revenues that come to the province through gambling proceeds, be it bingo or anything else, go back to charitable organizations?

1320

Mr. Hurry: That would be wonderful. Prior to the opening of the slots, I sent a letter to Helen Johns, the minister responsible at the time, and I got a letter back from her indicating that if we could show that we were adversely impacted by the opening of slots or the casino, there would be some funding available to help organizations. Of course, once the slots and the casino opened, that never happened.

Mr. Prue: And I guess the same thing, adversely. There's money put aside for tobacco cessation, mostly

going to farmers—rightly so—but would you recommend that we recommend to the minister that he also look at charities adversely affected?

Mr. Hurry: I would, because I think that the charities are working with the most disadvantaged people in the province, people that have probably the least voice, politically, and the ones that need our assistance.

The Chair: Thank you. Now we'll move to the government.

Ms. Di Cocco: Thank you for your presentation. I know the good work that Big Brothers has done. I met with the national chair of Big Brothers in late 2005, looking at prevention programs and trying to get a sense of what we need to do, and this certainly came up in regard to the good work that Big Brothers does, the evidence that shows the positive results of mentoring with young boys and girls who are in need. I know that both when I was in opposition and now in government, you provided data as to what the dollars are that are declining for charities. I can assure you that we are discussing with Trillium, trying to see if there is any possibility to allocate dollars to those agencies that have seen this decline in revenue because of the charity casinos.

Do you have any kind of a dollar figure for the Sarnia area? I think you said that the decline is \$1 million per bingo hall for charities, or is it just for the whole, for all the revenue that is taken in by bingo halls?

Mr. Hurry: The \$1.1 million is a decline in the actual money that was going to charities from that one bingo hall. When I say \$3 million across the three halls, I'm guesstimating a bit there. I don't know the exact figure from the Village or from Bingoland. But at Bingo Country, there are 84 charities. What they received the year immediately after the no-smoking bylaw was \$1.1 million less. That's after all the expenses and everything's been paid up.

Ms. Di Cocco: I certainly agree with Mr. Prue that it's incumbent on the committee to relay that there is a need there, that there's a hole that needs to be filled because there is a decline in your ability, especially in areas that have charity casinos come in. I saw the numbers and they showed a cause and effect, the inability to raise monies at bingos because of the charity casino. People were spending their gambling dollars in other venues. We have a charity casino here in Point Edward and we also have the slots and racetrack in Sarnia.

Mr. Hurry: One of the points I've made in the past is that communities like Sarnia-Lambton that have a casino and slots, where all the money is coming out of to go into Trillium—the money flowing back across the province is done at \$12 per capita. So if you're in a community that doesn't have slots or a casino, you're getting a bonus because it's not really impacting on your ability to fundraise in that community, where in a community like Sarnia-Lambton that has both slots and a casino, we're taking that money right out of the community. It means less money is available for charities to fundraise in other ways.

The Chair: Thank you for your presentation.

CANADIAN NATIONAL
TAXPAYERS COALITION
CANADIAN ADVOCATES
FOR TAX AWARENESS

The Chair: I call on the Canadian National Taxpayers Coalition.

Mr. Norm Gurr: Good afternoon. I'm Norm Gurr and I represent the Canadian National Taxpayers Coalition. I would like to thank you all for the opportunity to be here today. Being a retired town councillor from South Hampton, I really appreciate all of what you do. I'd like to especially thank Caroline for allowing us to get on here today.

Basically, the Canadian National Taxpayers Coalition is exactly that, and what we are doing is trying to coordinate what is happening in regard to the property taxation issue in Toronto. I believe you all have a booklet that I gave you.

Because we have a strong action plan that is addressing the huge problems with assessment and taxation, our overseeing organization, CAFTA, the Canadian Advocates for Tax Awareness, is a rapidly growing organization with individuals, ratepayer associations and municipal members from all of Ontario. Our website has been growing in popularity, with an amazing 112,204 hits. We are getting hundreds more inquiries every day as our message of hope goes around.

We speak for what is by far the desire of the vast majority of Ontario people. According to a recent SES-Osprey poll, only 18% of people think that market value assessment is fair. If you act, you will please 82% of the people in Ontario.

I'd ask you all to look at page 3 for a moment and I would ask you to tell us what these properties in those six pictures would be worth if they were to be sold. They are all within a few blocks of each other. The owner doesn't know, the realtor doesn't know, but amazingly, MPAC does know, when it has likely never even seen the properties. I was talking to our real estate person this week, and he said that people who wanted to sell their house for \$800,000, he said \$500,000 at most and it went for \$700,000. That's what's happening right now in some of these areas of Ontario where there's a huge demand.

They tell the owner its value, without any explanation. If the owner asks them to show how it was achieved, they tell them it was based on sales of similar properties that they have also not seen. What happens if there have not been any sales? They say it's extrapolated in some way. I was at a meeting last week in Beaver Valley and no houses had sold in that particular area, yet they raised their assessment by 40%. They say to compare it to other similar properties that they also have never seen. Of course, there is the likelihood that there are no houses, as the above shows, that are even similar.

Many people, certainly in our town, which is 50% seniors on old-age pensions, are too shy or lack the understanding, or even lack English, to be able to appeal to these people, and I'll tell you they can be very rude at

times. It does not accomplish what it's purported to do, and that is that the rich help the poor. In fact, it is doing the very opposite, because people are being forced to sell their houses because they can't stay there anymore.

How this can be improved significantly: The house on the left in the pictures on page 5 has been totally renovated over the years into a homeowner's dream. The guy did it all himself, pretty well. The one in the middle is empty and in great disrepair and in need of upkeep, and the one on the right has been well maintained. I don't know how the association knows this without having seen it.

The result is that, as our studies show, about 50% of the total assessment in Ontario is not known by MPAC because houses—yes, they deteriorate, but most of them, as the Home Depots show, are being improved all the time. Our study shows that only 20% of properties sold within 20% of their assessment prices, and a major reason is that no one comes out and complains because their property is under-assessed. Would you do that? Everybody's laughing that they're under-assessed. Well, it's not a very fair system.

In many areas of the province, from cities to towns to rural areas, through changing conditions that have nothing to do with the property owners, prices rise. This can be through such things as new industries, better transportation or through the wealthy or retiring baby boomers seeing an area that is desirable and willing to pay huge prices to be there. In Southampton we have the triple whammy of re-tubing of the Bruce nuclear plant, worth over billions of dollars, as you know, with, I think, 5,000 people eventually coming in, 200 windmills and the beginning of very wealthy baby boomers and others who like the very special lakeside area of our little town.

1330

This small town's assessment, through mostly these reasons, has risen by almost a quarter of a billion dollars. That's a little rural town. The average increase in Southampton is 24%, which is only the beginning of what will happen as the baby boomers continue to come in. This has dramatically shifted the tax load onto Southampton vis-à-vis other areas in the county where prices have not changed. So this community is paying even more while others are paying less as most taxes go to the county, the school boards and the conservation areas and not to the town. Over 50% of the property owners are either seniors on fixed income or low-paying tourist town service workers who all have humble cottages that have been in the family for a number of years, and now they're being told they're worth \$600,000 and \$700,000.

By far, the most taxes go to pay the downloading by your government. A large amount of property taxes, well over half, do not go to serve the municipality's needs. They pay for programs that are the responsibility of the Ontario and federal governments. What have welfare, ambulances, the health unit, subsidized housing, county roads that are really highways, conservation areas and schools—there's a whole long list of others—got to do

with running a municipality? Most of what the county does is downloading. You can eliminate county governments by taking responsibility for downloading and no complaints would come from Toronto with this new Toronto act, because if they didn't have all this downloading they would be laughing and be able to fix all the things, including their transportation system. It does not accomplish what it is purported to do with the rich helping the poor. In fact, it does the opposite in many cases, and it puts both property owners and local councils and staff under major stress through all the complaints they get.

Municipalities should pay for only those things that towns require such as roads and other infrastructure repair and maintenance, police, fire, recreation, parks and so on. The provincial and federal governments should pay for things that are their responsibilities out of their huge taxation abilities and that reflect the ability to pay.

In the two houses there, they're obviously the same house, but one of them has a lot of money, the other one is an old-age pensioner and yet they're paying more because they happen to be in a more desirable place. There's a picture on the next page, and that is a lady that I know very well who had \$16,000 a year and her taxes were \$4,000 and she was forced to sell a house that she'd raised her children in and her husband had died in.

In the township of Trent Hills, with 11,962 people—6,434 households—over 225 properties are up for sale because of non-payment of taxes. That's what it's doing. Two major businesses in Campbellford have gone out of business or reduced service because of high taxes. Local councils and staff across the province are dealing with angry ratepayers. A car wash in Campbellford had a four-year running battle with MPAC over the resulting tax rise from \$17,000 to \$90,000 in one year. It was finally settled, at the owner's value, but it ended up costing him \$20,000 to fight it. A farmer in Warkworth had his taxes increase by over 90%.

The cost to the taxpayers for a system that does not work has been \$1 billion. You can talk about the gun registry, but there it is. Look what the savings would be to provide your daycare and so on that you want to do. This will increase, as we hear that there were some 220,000 appeals last year, and it's certainly going to increase this year with the new assessment.

Our plans as an organization are: to educate the public and all politicians of various parties and councils and to grow even more. We will be expecting talks with other interested parties such as the Canadian Association for Retired Persons, the Canadian Taxpayers Federation, the AMO and other such organizations in order to develop a common front of millions of people. We will be planning large-scale marches on Queen's Park when the weather warms up, which we really don't want to do. We would hope that action would occur by then. We have had legal advice from one of Canada's top law firms that there are very strong grounds for a class-action, multi-billion-dollar lawsuit against the Ontario government for wrongful and unfair taxation and for breaking the Charter of

Rights and Freedoms by not treating everyone equally. There may be some who will do it for free as long as they get a cut of the take, we have been told.

What are we asking for?

(1) The elimination of downloading so the property taxes only pay for the needs of each municipality, such as infrastructure, garbage and recreation, just as water and sewage are.

(2) The elimination of market value assessment totally as a means for property taxation because it has no clear, fair and understandable basis.

(3) That it be replaced with ways so that all property owners pay the same within a simple formula involving easily measurable means, such as area, kinds of uses, etc.

(4) That the province institute a taxation surcharge on its many taxation means to cover this that will reflect the ability to pay.

It will be a winner in the eyes of 88% of the people who believe it is wrong, as I said earlier.

It is hoped that this can be achieved with close communication and an exchange of ideas that will lead to a happy and satisfactory outcome.

In this regard, we ask that the government adopt the resolution of Mayor Hector Macmillan of Trent Hills as follows, as some 93 municipality councils already have:

"Requesting the Ontario provincial government form a conference inviting CAFTA"—which is our organization—"all municipal leaders, the Minister of Finance and the Minister of Municipal Affairs and Housing, for the purpose of creating a fair and balanced property assessment system."

We would add that influential members of all parties and other organizations, such as CARP and the Canadian Taxpayers Federation, should also be included, and that the report from this committee to the Legislature acknowledge our submission and show that the recommendations are a priority for the Legislature, that we get a copy of your committee discussions on this matter in Hansard and reports from you to the minister and Legislature.

Last year, we got a history of MPAC as an answer for our submission, which was treating us really stupidly. We ask for a response from each of you from this enclosed questionnaire at the end, and we ask for a proper response that addresses our concerns, not another recitation of the history of MVA.

In many of our meetings, e-mails and conversations, the next page is mildly what some property owners believe the Ontario Legislature is like. I'd like you all to look at that and maybe get a little bit of a laugh, because they're saying it's a Disney World out there—and it really is, this whole taxation of property. What it's saying is, "Be a dumb good ass. Let us ride on your back so you can help us carry our overspending responsibilities and be happy." And the donkey is braying and kicking right now. On the next page, this is what we're looking for: It's a happy life without the stress of worrying about your taxes going up on your house. It needs to be quite predictable. And, on the next page, we actually love you

all. You're a hard-working bunch of MPPs, and you're all property owners, like us. So in the very back of this, you will see an application form for CAFTA if you would to join it, and you will all be loved very much.

We have an addendum on here. The addendum lists, on page 20, the various raises that have occurred and also the members who are supporting us from various municipalities in Ontario. We don't want to have what's on page 23: a great protest. We would like to work it out very quietly.

There is a questionnaire in here. I'd like you to ask yourself, do you agree? How many agree with what I've said?

Interjections.

Mr. Gurr: You don't agree? Just the NDP.

The Chair: Thank you for the presentation. This round of questioning will begin with Mr. Prue of the NDP.

Mr. Prue: Just on page 15, to start, I think that Phil McNeely looks an awful lot like Wayne Arthurs.

I think what you are requesting is reasonable; I look at page 11, the four parts you have here. There is no real rationale from 1998 onward that property taxes should pay for things that are not related to property. It's a very unfair form of taxation at best. Market value assessment has proven over time that it hasn't worked, particularly in places where taxes have gone up exponentially.

The last one, I think, is the most important, and that's the one I really want to ask you about. There is no question that if the province uploads the \$3 billion or so that is going to pay for welfare, land ambulance, health, daycare, social housing—there's about \$3 billion there—they're going to have to find the money somewhere else. You are suggesting that that money would come from other tax sources, I guess mostly income tax. The \$3 billion would have to come from there, but would you think that's a fairer form of taxation?

Mr. Gurr: That's right, because many of us, as homeowners, don't know where the money is coming from. That's the problem, and we're losing our houses. You're not losing Queen's Park. That's the whole point. It has to be based on ability to pay. All these wealthy people with high incomes are changing the values of all the property in our area. They have the ability. They should be paying for it, not the person next door who is a teacher's aide, for example, working in the school making I don't know how much, being forced to pay. If this guy comes in, pays \$700,000 for a house, tears it down and builds a new house as his guest house that he's only going to use once a year because he's got six other houses, why is he punishing the lady next door? That's the problem. She's being forced to sell the house she grew up in with her mother.

1340

Mr. Prue: I have to tell you—and I'm sure all the members are the same, having people come in to see them, particularly retired people and older people who simply want to live in their house until they die, and they can't. Their ability to pay is just not there. They're being

taxed on a capital gain that they are never likely to see in their lifetime. That's the only capital gain I'm aware of where you're taxed before you get it.

Mr. Gurr: This is right, and it's not just old people who are suffering. What you're doing is a fraud. It has to be equal for everybody in Canada, and it's not, because it's some invention of somebody out there who imagines what your property is worth. There has to be a clear-cut way, as you do with income tax or sales tax. It's not, and that's where it's really against the Charter of Rights and Freedoms. So we're saying, straighten it out.

I was on the council during Who Does What, and frankly the province said, "This is what you're going to have to do," and we didn't have any say, because we're just creatures of the province, as the term is used. But now the people are kicking. It's not right; you have the right to be taxed fairly and equally, which you're not. Nobody comes and complains when their assessment is low.

Mr. Prue: Keep complaining. I'll listen.

The Chair: Now we'll move to the government. Mrs. Mitchell.

Mrs. Mitchell: Thank you very much for coming, Norm. If everyone doesn't understand, he comes from the most beautiful riding in Ontario, being Huron-Bruce.

Mr. Gurr: We have the most beautiful member of the Legislature as well.

Mrs. Mitchell: And I think he's swell too. Thank you.

The Chair: Order.

Mrs. Mitchell: I'm blushing now. Measurable means: Norm, what are you suggesting we start with: the level of services that are used in each area? What do you believe should be the base, the foundation, where we start taxation for the dollars required by municipalities?

Mr. Gurr: First of all, it isn't going to be done next week, but we would certainly like an indication from all the parties that it is a priority. It's going to take time. Paul Hazell, our president, who was an assessor, said it would only take 10 days for MPAC to change it over to area or whatever you want to use as a basis, but it can only happen really fairly if that downloading is uploaded. That's what I'm suggesting right now.

I think the first thing you have to do is freeze assessments to what they were, because there's been a huge distortion lately. The baby boomers are causing it, coming on to the market, retiring, husband and wife working, money from their parents and so forth. They're coming in, and I can't believe that properties in Southampton have literally doubled in the last three years, and it's only beginning. We're just at the very edge of the baby boomers who are coming. As you know, lakefront properties in these small towns are very attractive when you live in the city. I would suggest that's a good place to start: Look at how you can take over the downloading eventually, so that people are only paying for the services they get. In fact, you see people paying double taxation for all the downloading if they happen to have a cottage, and that's the basis of our economy.

Mrs. Mitchell: One of the—

The Chair: Thank you. You got your compliment.

Laughter.

The Chair: Now we'll move to the official opposition. Mr. Barrett.

Mr. Barrett: Mr. Gurr, I appreciate your presenting on behalf of property taxpayers. I hear what you're saying on market value assessment, where you pay based on all the money you would get if you sold tomorrow. I know I've appealed our assessment on my mother's farm. We've owned it for 210 years, with no thought of selling it in 210 years. It's a very large acreage. We've never severed a lot; we've never done anything. We just use it to farm; we hope to keep it for another 200 years.

Mr. Gurr: It's a great sentimental attachment as well as an income.

Mr. Barrett: But it can be expensive when you pay taxes based on the argument: "Look how much money you'd get if you sold it tomorrow." We don't do that. We farm. I have appealed it a number of times. We resorted to other measures—you've indicated you're waiting for warm weather to come to Queen's Park. What we and many, many area farmers did when our taxes went up with the decline of tobacco farming in our area—in fact, this government is increasing the tobacco tax at midnight tonight by another \$1.25 a carton. It's going to hurt those areas again. We decided to stop paying property taxes. We did that for a number of years, along with our neighbours, and lo and behold, for 10 years our municipality didn't increase our taxes—zero tax increase for 10 years. I suggest that as an option; it has been done elsewhere.

Mr. Gurr: Except that you're going to get your property claimed in three years, according to the Municipal Act. That's the trouble. People don't want to do that.

Mr. Barrett: So in the third year, you pay up. You pay a very high interest rate, but if you believe in what you're doing, sometimes you have to take some action.

As far as market value assessment and downloading and uploading, in our area, the big problem back then, and why we asked for the changes, was that in many municipalities 60% of property taxes went to the school board. Do you want to go back to that system? We yanked education off land and property. Do you want to put it back as a trade?

Mr. Gurr: As an ex-school principal, I think there was a time when you had a little town starting up a log cabin and teaching your kids how to read and write. In today's society there is such mobility, such diversity. Having been a principal in a big inner-city Toronto school, look at the problems I had with 47 nationalities, and a lot of people were extremely poor who required a lot of support. Other areas of the province don't have that kind of thing. In our area, I guess the big thing is busing. It's something that is really becoming more and more a provincial responsibility rather than a local one. Our taxes are going to go up very significantly as these young families come in to work at the Bruce nuclear plant. The number of kids going to school is going to cost us a lot

more. It's a provincial responsibility, which I think should gradually be taken over—not at one big go. Any of this stuff has to be done according to what you can handle.

Mr. Barrett: As far as a Charter of Rights and Freedoms challenge, as you would know, in Ontario we no longer have property rights or land rights.

Mr. Gurr: That's right. It's important that people do have the right to defend their property, and this isn't happening now under this particular system.

The Chair: Thank you for your presentation.

Mr. Gurr: I appreciate your listening to me and putting up with me.

COMMUNITY HOMELESSNESS INITIATIVE NETWORK

The Chair: I call on the Community Homelessness Initiative Network to come forward, please. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of Hansard.

Ms. Kathy Wodzinski: My name is Kathy Wodzinski. I'm presently the chair of the Community Homelessness Initiative Network of Sarnia-Lambton. For a living, I'm a community legal worker with the legal clinic in Sarnia. For those who are not familiar with that, it's funded by the Ministry of the Attorney General under the Legal Aid Ontario program. It is in that capacity that I have accepted the position of chair of the homelessness committee, and it is the homelessness issue that I'm here to address with you folks today.

I too want to thank you all for coming to what I would argue is the most beautiful riding in Ontario, and I'm sure Ms. Di Cocco would agree with me. We are seen as a rural community, although we're not small, so I hope that the first myth that I don't need to dispel is that small communities, rural communities, do not have a homelessness problem—indeed, we do. We don't step over homeless people on our subway grates, because we don't have them. Our homeless population tends more to be a silent homelessness; I think the term people use is "couch-surfing." They're more often at risk of being homeless. They've left home. They've left bad marriages. They've left abusive marriages. They've left abusive parents. They've landed in our community or at our local college, for whatever reason, and have found themselves without the security of a home; and therefore are sleeping on somebody's couch in a basement until such time as that accommodating person tires of them and they move on. We have a large population of those. So that is the first myth that I want to dispel: that homelessness is only a big city issue; it is not.

The second myth that I hope I don't need to dispel in this day and age is that there are people who choose to be homeless. We often hear that there is a good portion of the people who want to be left alone on the streets, who have been offered places to go and they choose not to. Those people are choosing not to stay in shelters that are

filled with tuberculosis, bedbugs. They're mentally ill people who are in danger, at risk. So when they make that choice, it is not really a choice. Before we even go any further with our local problem, I just want to make sure that everybody understands that.

1350

The submission that I have put forth for you today does talk a little bit about our local issues as well as the provincial. Since this is the provincial government that we're talking to, I'm trying to talk broad base as well. Locally, our network came to be when the province downloaded the issue of homelessness onto municipalities. When I first saw the list of people who would be speaking today, I did I think that I would have anything in common with the fellow ahead of me, but clearly I could appreciate much of what he had to say. Sarnia-Lambton inherited homelessness as an issue. Our county wisely came to the people who worked with that population and said, "Teach us. Tell us what the issues are in Sarnia-Lambton," and so we came together as a group and did that, and we continue to monitor those ongoing homelessness programs in our community.

The definition of homelessness, as we define it, includes people who live on the street, in shelters or hostels, or are at risk of being homeless, i.e., the couch-surfers.

The local trends are increasing—they're increasing substantially. Again, I found some commonality with the fellow ahead of me in that in Sarnia what has happened is that many of those seniors who are now unable to maintain their homes are buying down. They're buying smaller properties, which forces the people in smaller properties to move down, and so there is a compression down to the point—and we don't have a lot of affordable housing in Sarnia. So when we compress that population down, we compress them out on to the street or to people's basements.

Our answer to homelessness locally is twofold. Unlike Toronto, London, Ottawa, we address it in two ways. We put them into hotels out on what we refer to as our Golden Mile, which is out almost in the rural part, with very little accessibility to any of the services—what few services we have. We put them out there during such times as those rooms are available, and there often are a couple of times of the year when they aren't available because we have recreational tourism or we go through an industrial boom where transient workers come in and take those units. Those people are then put on the street. The local homelessness workers find themselves unable to work with the motels at that times.

Our local youth shelter is working. We find that it's a transient population that comes in and out at that age.

There has been some success, we have found some affordable housing, but when we can't, the second way we deal with our homelessness population in Sarnia is what we refer to as the Greyhound solution. If you passed in London on the way through, you would find that they inherit many of our homeless people because we do not have shelters we have no transitional housing

except for battered women. So when there are no places to put people, particularly families, anywhere safe, we put them on a Greyhound bus and we ship them to London. That is our disgrace, that's our shame, but we have to live with it because we have no other solutions.

So what can we do? What are we asking the budget to do? It's several-fold. I don't think anybody would be surprised that I ask that pressure be put on to continue with social housing. When we removed that as the responsibility of the government and put it on the backs of private enterprise, we discovered that it didn't work. We've had virtually no new social housing units in about a decade, and we are now beginning to feel the pressure of that. We want to see the agreements that you have with the federal government come forth. There have been four agreements signed, and we've only now just begun to see one actually begin to unfold with some serious units. For Sarnia-Lambton, that will mean 25—not nearly touching our needs in our community, but a start, granted.

But there are things that the government can do. I think I read in the paper this weekend that we're still concerned about the deficit and that it will be the number one thing that we have to look at when this government goes into budget. While that might be applauded by many, I caution you not to do that on the backs of poor people; to recognize that there will always be people in our country, our province and our communities who are unable to help themselves, who can't accept the hand up, who are unable to do with what they're being offered, and we will always need to help them. So if we're going to address the deficit, remember the poor who cannot vote, who will not vote, who don't have a home with which to be attached to a particular riding. And remember that there's nothing sexy about helping them, that they aren't the people that will re-elect you, but our consciences tell us we must help them.

Side from that, we can do things that will not cost this province a dime. We can change the Tenant Protection Act, that has done very little to protect tenants, that puts people at risk of further homelessness, that creates the homelessness problem in such ways as a very short time period for a tenant to dispute—five days, including the weekend. So you get that eviction notice on a Friday, and by Monday, when you might access somebody who speaks English, who reads, three of those five days have already gone by, and on the Tuesday that landlord can have you evicted. That is happening regularly. It would be no cost to the province of Ontario to change those kinds of punitive, difficult regulations to that legislation. The Social Housing Reform Act cannot boast much better legislation to help people maintain their homes. Your home is your right in life. It is not a privilege to have a place to live. There are studies that tell us that staying housed will save us money long-term in health care, in the juvenile detention system, in the judicial system—and it's just the right thing to do.

That's all I have to say.

The Chair: Thank you. Now we will move to the government. Ms. Di Cocco.

Ms. Di Cocco: Thank you, Kathy, for your presentation today to the committee. I do agree with you: I think Sarnia-Lambton is probably the most beautiful place in Ontario. I just say this for the member from Huron—Bruce.

Anyway, one of the compelling arguments is trying to find, I guess, our responsibility as a society to help those who are in need. One of the questions that was asked of me by someone was, “What can the government do in situations where people are in these circumstances but should be provided opportunities?” It’s the saying, “If you want someone to eat for a lifetime, you teach him how to fish; you don’t just give him fish.”

You have worked with this community for a long time, and you understand it. What would your best advice be in how we empower people to meet the responsibilities that we as a society have, and they themselves have, in bettering their circumstances? What do we need to do collectively, and what should people do individually? Sometimes you find that the more you give, there is this culture of entitlement that ends up also being created. How do you balance the two?

Ms. Wodzinski: That’s a good question, and I should have addressed it. Yes, we need to help people help themselves, and we need to have the programs to do that. Right now, we don’t feel that the programs are there to help those people. We believe there’s been such a cycle of poverty for so long that those who want to help themselves no longer have the wherewithal to do that because they’re in the depths of poverty and health issues and mental health issues.

1400

When we talk about having these programs in place, when they were so vastly cut, I know there was a revolution. There was this sense that there are too many people that feel they have an entitlement. Then there was this whole fallacy of the beer-drinking, cigarette-smoking welfare bum. You know what? There probably were some of those people, and the cuts did address that, because when you’re offered \$520 a month to live on, yes, it’s better to go to work. But a decade later, that’s not who’s left. Who’s left are the people who cannot do it. They’re the people who are physically and mentally too sick to do it and who do not have the skills, the tools or the resources. They don’t even know they’re living in poverty. That’s what we’re left with now. So we can’t help those people step up; we have to just help those people. We have those people in our families. We know who we’re talking about. Society will always have a responsibility to address that number of people. There’s no shame in putting money into programs that don’t help people come up; that just help people. We have to do that.

The Chair: Thank you. Now we’ll move to the official opposition. Mr. Barrett.

Mr. Barrett: Thank you, Ms. Wodzinski, on behalf of the homelessness initiative network.

You indicate that this winter, over last winter, the number of people requiring emergency shelters has gone

up 41%. Did they get shelter? Are these people who are actually on the street, or would some of them be people who are defined as at risk of being homeless?

Ms. Wodzinski: Those numbers come directly from the numbers of people who were actually helped, who were removed off the street and either into a shelter or into the Greyhound solution, but at some level were assisted in one way or another.

Mr. Barrett: How is it this winter? Are there many on the street right now if we drove downtown?

Ms. Wodzinski: No, and that’s the issue. You will never see that in downtown Sarnia, although, if you know where to look, we do have homeless people on the street. But what we’re more likely to have is people showing up at our social service agencies who have left the housing tribunal and have been evicted and have nowhere to go, possible refugees who have come across our bridge and have nowhere to go. So they aren’t the street people that you’re thinking of when we refer to homeless people. They are people who have, for one reason or another, ended up without a place to stay—kicked out of their parents’ homes, ended an abusive relationship. There are all kinds of different variables.

Mr. Barrett: So that’s the main reason why, then.

Ms. Wodzinski: Yes.

Mr. Barrett: The 41% increase in six months: Has this happened in the past?

Ms. Wodzinski: No, it’s an anomaly. It’s an anomaly from the past but we suspect it’s a predictor of the future; that, now that we have a homelessness program in place and it’s known in our community, people are accessing it. We’re not sure what they did before; they were probably just not counted.

Mr. Barrett: Okay; I see. You talk about when the province downloads the responsibility for the homeless onto municipalities. You’re not suggesting that the province run it, are you, or take it back or take it away from the municipalities?

Ms. Wodzinski: I hear you. I know exactly what you’re saying. Yes, I am. I’m suggesting that something as serious as a basic need needs to be under the mandate of both the provincial and federal governments, that there aren’t the resources municipally.

Mr. Barrett: I’m just worried about it being administered from Ottawa or Toronto. Sometimes they lose touch with—like you say, “What street and what back alley?”

Ms. Wodzinski: If it’s not administered, though, by Toronto or Ottawa then it’s not administered at all. We’re at risk of having no money at all. When it’s a municipally funded program, it’s at the whim of the councillors of the day. So homelessness should never be something that—it shouldn’t come and go; it should be always there. Because of that, it has to come from a higher, top-down level.

The Chair: Now we’ll move to the NDP and Mr. Prue.

Mr. Prue: Last year, when I sat around, a great many people came and talked about homelessness, and there

ended up being nothing in the budget—nothing for the poor, nothing for children who were poor, nothing for autistic kids, nothing for families in desperate need, nothing for housing. I hope that there are a few more open ears this year because, really, it was the most brutal budget I can remember, going back even to Mike Harris days.

You have talked about increasing social assistance rates. How much do you think they need to go up in order to get people to the poverty level? I'm not asking for them to be rich; how much, to get to the poverty level, will they have to go up?

Ms. Wodzinski: The shelter portion of an Ontario Works or Ontario disability support program cheque would minimally have to equal what they're paying in shelter. And that might be another misnomer. You might feel in your large communities that only Toronto is dealing with these large rents. Single-bedroom units in Sarnia run between \$450 and \$550 a month, and they go upwards of \$900 and \$1,000 a month—and these aren't nice units; these are just affordable housing units—for a three- to four-bedroom unit.

I'm suggesting, then, that the shelter would almost need to double, and then, and only then, would they not have to go into their basic personal needs to ensure that they continue to have a roof over their heads.

Mr. Prue: You're talking \$520 to \$1,000.

Ms. Wodzinski: Yes, back where it was when it was reduced.

Mr. Prue: Of course.

The cost of shelter is one thing. The cost of food: The average welfare recipient spends \$2.12 a day on food. We heard the very sad tale today of people in our homes for the aged who get \$5 a day for food. Our prisoners are the best off of all; they get nearly \$10. I've been on the welfare diet, and I ate on \$2.12 a day for 12 days. It's pretty brutal. What do most of these people do? You can't eat on that.

Ms. Wodzinski: No. They spend their time in food banks, and doing without. I'm not sure, because many of the people on Ontario Works are people who are ill and can ill afford to not be appropriately fed on a month-to-month basis. Working in this field, we can all cite examples—and I'm sure you've all heard them over and over again—where people, because they've had to pay the rent to save eviction, have little or no money left over to feed themselves and their children. God knows—the basics like toilet paper; they just do without that.

Mr. Prue: In terms of public housing, assisted housing, we all want more to be built. But I would have to suggest to you that if you go to some of the larger cities, and probably in Sarnia as well, the housing that exists is in such a bad state of repair, having been forced down from the province to the municipalities which have no money to pay for it: literally millions upon millions—in Toronto, they say \$242 million—to bring the housing to code, never mind building any new stuff.

I know you want both, but which one should the government take priority over—repairing that which we

already have or building new stuff? They don't seem to be doing either.

Ms. Wodzinski: In Sarnia, if I have to pick between the two, building new because we have such a scary shortage here. But I know what you mean about the disrepair. There really needs to be a twofold solution to it, but in Sarnia we just need the units, period.

The Chair: Thank you for your presentation.

COMMUNITY LEGAL ASSISTANCE SARNIA

The Chair: I call on Community Legal Assistance Sarnia to come forward, please. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questions following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Andrew Bolter: I'm Andrew Bolter. I'm executive director of Community Legal Assistance Sarnia.

Ms. Karen Mathewson: I'm Karen Mathewson, community legal worker at Community Legal Assistance Sarnia.

Mr. Bolter: Like I said, I'm the executive director of a community legal clinic in Sarnia. We're a non-profit corporation governed by a local board of directors. The mandate of our five-person law office is to provide services to address the unique needs of the low-income community in Lambton county. We assist the poor with disability appeals, welfare appeals, landlord and tenant issues, employment insurance issues and human rights matters. We also have a mandate to engage in law reform, community development and public legal education.

Like most people who work in the social sector dealing with poverty on a day-to-day basis, I wish I could put myself out of a job. Just in terms of numbers in Lambton county, last year 1,200 people came to our clinic for help. Legal Aid Ontario estimates that there are over 14,000 people in Sarnia-Lambton living in poverty. The County of Lambton Homelessness Plan, 2003-05, found that 43% of the Sarnia population earned less than \$20,000 per year. In Ontario, two million people live in poverty. That's 390,000 children. As the previous speaker said, we're seeing an increased usage of food banks, utility banks and emergency shelters. I would estimate that 35% of our clients have mental health issues, many of which are undiagnosed. What these numbers don't show is the economic cost of poverty, and what I want to do is focus mainly on the health costs of poverty.

1410

Last summer, I heard a talk by Dennis Raphael, who's an associate professor at York in the school of health policy and management. His recent study, called the Social Determinants of Health, provides a chilling account of how public health policy in Canada is widely missing the mark. I urge each member of this committee

to review this book before making any budgetary recommendations. I have a copy that I'm going to give as a gift to the committee.

What Raphael shows graphically and convincingly, with ironclad scientific data to back it up, is that growing up in poverty is by far the biggest determinant for health problems later in life. Astonishingly, income level is a greater determinant of future health problems than behaviours such as smoking, diet and physical activity. In fact, smoking, diet and physical activity are minor health determinants in comparison to income and poverty.

Raphael writes, "Income is a determinant of health itself, but it is also a determinant of the quality of early life, education, employment and working conditions and food security. Income is also a determinant of the quality of housing, need for a social safety net, the experience of social exclusion and the experience of unemployment insecurity across the lifespan."

There are numerous studies that he cites that indicate that "income levels during early childhood, adolescence and adulthood are all independent predictors of who will succumb to disease."

"Low-income children show higher incidences of just about any health-, social- or education-related problem, however defined."

As Raphael points out, there appears to be a policy vacuum by our governments in regard to the social determinants of health analysis.

"Federal program spending as a percentage of GDP is now at 1950s levels, and government policies have increased income and wealth inequalities, created crises in housing and food insecurity, and increased precariousness of employment."

We reap what we sow. That's the refrain that comes to my mind over and over again.

What about the number I quoted, the 390,000 children growing up in poverty in Ontario, where we have more food banks than McDonald's outlets? What are the downstream health care costs? Not only is this a moral failure, but it is also a public policy and economic policy failure.

I can go into the societal costs of children growing up in poverty in terms of social exclusion, children of families who have disabled parents or parents who are under-employed, or even that group of parents who are over-employed. They're working several low-income jobs and are being forced to neglect raising their children so that they can put food on the table. What is the cost of that?

Think about youth crime, which appears to be reaching epidemic proportions. Frankly, the best way to deal with crime is to ensure that no child suffers social exclusion because their parents happen to be poor. Public policy in this province does not factor this in.

In reality, the budget process, of which this committee is a part, is a social policy process. What we're asking is that, when you write your report, you look seriously at recent studies such as Raphael's, which reveal the failure of public policy in this province and country to address

the proven causes of what is driving up the costs of health care. This committee should address this disconnect in its report.

In our view, the evidence is in: Money spent to assist low-income Ontarians will save countless health care dollars. Let's start with child poverty now and take a little less time to pay down the deficit. There are at least 390,000 reasons to do this, and I don't think we can afford not to.

At a community forum in Sarnia in 2003, a mother spoke to us about struggling to raise her child. She said:

"My son and I go out every night for a walk. While we are walking, we look for pennies, dimes, whatever we find on the ground. We have a jar, and we are saving it for a year, and then if there is something that he wants, we are putting the money into the jar so he can get something for Christmas, like a snowboard, which I can't afford for him. It's amazing, because it's such a big deal for him to find a penny. Where some kids would walk right past it, he thinks it's really neat. It's a big deal for him. Now, if I told social assistance that, they'd make me claim it, probably."

I will leave you this thought: Without addressing the real causes of health problems, building more hospitals in order to improve our society's health makes about as much sense as building more prisons and increasing minimum sentences to reduce crime.

Now my colleague Karen Mathewson will talk about some things that the Ontario government can do right now to address this issue of child poverty.

The Chair: You have about two minutes left.

Ms. Karen Mathewson: I have about two minutes. I'll have to be brief.

We do congratulate the provincial government on some of the changes that they made to social assistance recently, because they have gone some ways to help. Those include: abolishing liens on homes of Ontario Works recipients; exempting incomes and assets of up to \$5,000 for individuals in receipt of Ontario disability benefits; and allowing people to keep registered education savings plans for the children without them being included as income and assets.

However, we're concerned that the provincial government continues to claw back the national child tax benefit. Right now, a person on social assistance may get around \$134 a month per child from the national child tax benefit supplement; \$110 of that is clawed back. A person on social assistance, a single-parent mom, may receive \$527 a month maximum to cover shelter costs. The average cost of a one-bedroom unit in Ontario is \$780. A family of two adults and two children who are in receipt of Ontario Works will receive \$631 a month maximum to cover their basic needs.

Our local Lambton county health unit did a food basket study back in 2002 where only 66 items were put in the basket, as per the guidelines set by the Ontario government. After buying just basic necessities in terms of food—that didn't include pre-packaged frozen meals, any candies, any sweets and extras—the amount of

money that this family was left per person per week was around \$6.40. That \$6.40 was supposed to, and is supposed to, cover toilet paper, medicines, toothpaste, deodorant, transportation—those other basic necessities of life.

We're asking the provincial government to increase social assistance rates for Ontario Works and Ontario disability support program recipients. We're also asking the provincial government to stop the clawback of the national child tax benefit supplement. We're aware that the supplement monies that are clawed back are being put into investment and reinvestment programs for children. We know that about \$400,000 comes to our community, to Lambton county, out of the supplement, but a big part of that—over \$100,000 of that \$400,000—is used to support our food banks, our emergency shelters and our soup kitchens. I suggest that that if money were left in the hands of the people whom it rightfully belongs to, they wouldn't have to be accessing the food banks, the emergency shelter and the soup kitchens.

Again, we're asking for an increase in social assistance rates, a stop to the clawback of the national child tax benefit supplement, and also we'd really like to see transportation monies put into our community. We're a large rural community. Many people in the rural areas of our community and even in the outskirts of our city of Sarnia have no access to buses, because they don't go there. People can't access the very services that the supplement that is being held back from them is being used for.

1420

I'm working with a lady right now. She's a single-parent mum, disabled; is raising five teenage boys, four of whom receive the supplement. They take \$440 a month away from her to put into these investment programs for children. She cannot access the programs because she doesn't have transportation, and she can't access a lot of the programs because her children are too old to qualify for the programs. Give her the \$440 a month, and she's going to be able to help her children a lot more. We would like to see some transportation dollars from the provincial government put into our rural communities so they can have access to bus transportation.

Thank you.

The Chair: Thank you. We'll begin this round of questioning with the NDP and Mr. Prue.

Mr. Prue: After Mike Harris cut the 21% and then didn't increase the rates, and then with no increase last year from the Liberal government, welfare recipients are said to be about 35% behind where they were in 1995. How much increase are you looking for in this year's budget for welfare and ODSP recipients, particularly children? We have to make a recommendation. Should we say 35%?

Ms. Mathewson: Thirty-five per cent sounds good as a start. Okay.

Mr. Bolter: I would agree, but at the very least, return to the original rates before the cut. If it has to be less than

35%, put people back where they were seven years ago. It's not going to help a lot, but it will be a start.

Mr. Prue: Even the 3% they gave the first year was a start, but after giving nothing this year, the people are actually worse off today than they were under Mike Harris. That's pretty sad.

In terms of the clawback, I think this is the most disgraceful thing I think we have ever done as a society. The have-not provinces of Manitoba and New Brunswick have ended the clawback, but Ontario, who has lots of money, doesn't seem to be able to do it. If this government could only do one thing, many have suggested that that's the one thing they do: if they don't have money for the rates then at least end the clawback so that the federal program designed to alleviate poverty can actually work for the people for whom it's intended. What do you say to that?

Ms. Mathewson: You have a tough job.

Mr. Prue: They have a tough job. I'm the critic.

Ms. Mathewson: You have a tough job, that is true. That's true. Ending the clawback is going to help families with children. It absolutely needs to be done. We have to put that investment into our children, and that's a big way to do it. But I'm concerned that if there's only one choice, that's going to leave thousands and thousands of disabled people in our province who don't have children at the same rates they're at right now, and they need to have an increase in those rates. I'm going to be bad and I'm going to say I want both.

Interruption.

The Chair: Order, please. Thank you.

For the committee, I was wrong on the rotation. It should have begun with the official opposition, so we'll do that now with Mr. Hudak.

Mr. Hudak: No problem. Thank you very much for the presentation. In 2005, Ontario reported an increase in social assistance recipients in the province as a whole. Do you know if that was the case in the county and in the city?

Mr. Bolter: An increase in numbers?

Mr. Hudak: An increase in the number of people who depend on social assistance.

Mr. Bolter: I haven't heard that. I don't know if that's the case in Lambton county or not.

Mr. Hudak: In terms of the services you offer, is there anything anecdotally that you've seen an increase in demand for?

Mr. Bolter: Certainly housing; loss of housing mainly due to the increased cost in utilities. It's a huge problem. People are losing shelter because of the cost of hydro and gas.

Mr. Hudak: I think any good social policy will also do its best to help people move from assistance into the workforce. One of the challenges those on social assistance face is a high marginal tax rate. A lot of benefits will get clawed back when you move into the workforce; health care benefits, for example. Secondly, the wages aren't always great when you're starting out. Do you have any suggestions in helping people move into the workforce on a full-time basis?

Ms. Mathewson: In August 2005, the provincial government changed the legislation for Ontario Works recipients who are moving into the workforce to continue their health benefits for a length of time so they can make that transition. That was a really good initiative that the provincial government took on, so we would like to see that continue.

Mr. Hudak: Does that go for six months or is it until they reach a certain income level? What's the trigger point for when they lose the benefits?

Ms. Mathewson: It's three months, and it can be extended to six months. It's not just that you're at a certain time point and then you're cut off. I think the person's situation, where they're employed, is going to be looked at. There is discretion there on behalf of Ontario Works workers to see if extending health benefits is going to help maintain that person in the workforce. Because lack of health benefits, as you know, in the workforce at minimum wage jobs sometimes leads people to quit those jobs because they've got to get the medications and health benefits for themselves and their children.

Mr. Hudak: Absolutely. One of the challenges that I think all members here at the committee have faced in their constituency work is people who are applying for disability benefits and finding it very difficult to qualify, or the time frames involved. Are you still encountering that in your work? Is there any advice you have for the committee on improving that process?

Mr. Bolter: Yes, definitely, the length of time. The big barrier is the forms, the complexity of the forms. Physicians have no interest, generally, in filling them out. They do a bad job. So when we get to a hearing, the whole case is thrown out on a technicality because they didn't check a box on a form. The medical profession needs to basically focus on what it needs to be doing in supporting patients. We're finding there's no interest in filling out any government forms, whether they're Ontario Works forms or ODSP forms. It's frankly a disgrace.

The Chair: Now we'll move to the government and Ms. Di Cocco.

Ms. Di Cocco: Thank you, Karen and Andrew. I appreciate that you came to make the submission to this committee, because I think the issue is very important.

Certainly we've talked about this before, Karen—about the clawback and moving to address that inequity. That is something that is certainly not acceptable to me personally. I know we're working to try to address the two-pronged problem now, which is that we have services that are being funded by the dollars of the clawback, plus reinstating the dollars to the families that require it. When you do the math, it adds up to about \$400 million plus; around that figure. We're just trying to deal with how you maintain those services and then how you restore the clawback. I know there's certainly a lot of discussion around trying to get that addressed and moving forward in a positive way towards getting a resolution to that.

I asked the question of the other presenter, and maybe you can provide advice, because it's a two-pronged issue. You've got the responsibility of society to deal with and help those who cannot help themselves, and then you've also got the individual responsibility of those who can help themselves and how you empower them or provide the opportunities so they can also help themselves. Then you can end up being able to put the resources where they're needed and you've got people getting on their two feet.

I really would like some advice on that because I know that it's about providing—a lot of the argument is that there's more money needed for the households. I understand that. I grew up in a very poor household. I know what that is and I know what my parents had to do to try to get us fed and clothed. They had a lot of life skills that saw us through that. So I understand what that notion of poverty is when it comes to dollar income coming into a family.

The Chair: Thank you.

Ms. Di Cocco: Just the question, if they could give any advice.

1430

Mr. Bolter: I think, to break that cycle, you've got to deal with children in poverty today. Children in poverty today do not do well in education, they do not do well in terms of social exclusion, they do not do well in terms of health and, frankly, they grow up disenfranchised and unconnected to society. It's a Catch-22: You can't raise a child if you're somebody who can't work. And a lot of people on Ontario Works, like the previous speaker, can't work. They can't find work and it's not their fault; it's just the nature of the way they grew up. They have all kinds of barriers to employment. Like I said, 35% of our clients probably have undiagnosed mental health issues. They don't attach to the workforce as a group, yet they have children. What do you do? Do you take the children away from them or do you help them support their children so at least their children can grow up with some opportunities?

That is why you've got to get money back into the doors of the families and not have a thousand agencies dealing with the downstream problems created by children growing up in poverty. That's why Raphael's analysis is ironclad. If you don't do that, what are the costs down the road? On a pure economic analysis, it makes sense: Get money back into the family and don't worry about—the people who are going to reconnect to the workforce, do. Nobody chooses to live on social assistance in this province.

The Chair: Thank you for your presentation this afternoon.

SARNIA-LAMBTON HOME BUILDERS' ASSOCIATION

The Chair: Now I call on the Sarnia-Lambton Home Builders' Association to please come forward. Good afternoon. You have 10 minutes for your presentation.

There may be up to 10 minutes of questioning following that. I'd ask you to identify yourself for the purposes of our recording Hansard.

Mr Matt McEachran: Good afternoon. My name is Matt McEachran, and I am the president of the Sarnia-Lambton Home Builders' Association. First of all, thank you for allowing me to talk to you today. I also thank you for coming to Sarnia. It's a small, little town on the edge of Ontario, but we're glad that you guys came to hear what all of us here have to say.

As I mentioned, I'm with the Sarnia home builders' association. It's a volunteer position. I've been involved in the residential construction industry for eight years now, and I'm currently general manager of Bluewater Country, a retirement community here in Sarnia. Over the past eight years, our firm has built about 150 homes in Sarnia.

The Sarnia-Lambton Home Builders' Association is the voice of the residential construction industry for this region of Ontario. Our association includes just over 30 companies involved in all aspects of the industry: trade, suppliers and constructors. Together we employ about 150 people directly, and are an important component of the local economy. Our local association is also one of the 31 that form the Ontario Home Builders' Association.

The Ontario Home Builders' Association and the Canada Mortgage and Housing Corp. are forecasting a very healthy 75,000 housing starts for 2006. Renovation spending is also very strong across the province, and we're expecting another good year this year as well. Locally, we had 201 new housing starts and expect 2006 to have less starts, but still to be a pretty strong year. In short, I think that residential construction is one of the bright spots of many in Ontario's economy. There are a few barriers that we in Sarnia would ask for your help with in addressing.

One of them is development charges. We've heard some talk and discussion about possible changes to the Development Charges Act. Apparently, there are thoughts about changing the act to allow additional infrastructure and services to be included as costs that we pass on. We would like to voice our opposition to this. Housing is the highest-taxed commodity in Ontario, after alcohol and cigarettes, so the OHBA tells us. That's an unfortunate fact that seriously impedes the ability of our membership to provide affordable housing.

We also support the Ontario Home Builders' Association request for a development charges peer review process. This would be an independent and transparent third party to resolve disputes between municipalities and the building industry regarding the method by which development charges are calculated. The process should be funded through an amount collected on a per-unit basis in the development charges, so again would hopefully be self-funded, not a further burden.

Another issue we had was the underground economy, and I know this is a big one as well for the provincial government. We're facing a lot of pressure from the underground economy as we try to compete as legitimate

renovators and constructors. Unscrupulous workers hurt the reputation and competitiveness of legitimate builders, and they cheat governments out of apparently over \$1 billion per year in taxes. So we would ask the province to continue to work with industry to seek ways of encouraging and enticing customers to utilize the skills and services of legitimate and honest renovators and contractors.

The Ontario Home Builders' Association has worked with the Ministry of Labour on these and other issues. The Minister of Labour believes that mandatory Workplace Safety and Insurance Board coverage for all independent operators and executive officers of companies will capture a large portion of underground activity. Our membership couldn't disagree more. We feel that really the principal reasons many individuals and companies choose to operate underground, so to speak, is because of overregulation and excessive taxation. These difficult issues need to be addressed if we're actually to make progress on this problem. We don't claim it's going to be an easy solution, but we think we should attack what really is the main problem.

Just one specific suggestion: WSIB and the Canada Revenue Agency are working together on a few issues to try and track down some of the people who are operating underground, which we're all for and think is great. In perhaps a minor note, WSIB and CRA have different definitions of what exactly an independent operator is. That's one area where we think that if the WSIB and the CRA could work together and come up with one working definition and simplify it, a lot of individuals would be not as intimidated to come forward and register as independent operators and get the proper paperwork and get on with operating legitimately.

The third issue that we wanted to talk about was residential fire sprinklers. It's our understanding that private member's Bill 2, An Act to Amend the Building Code Act, has reached or already passed second reading. We feel that this bill should be defeated and really not be wasting any more of the government's time and taxpayers' money. The Sarnia-Lambton Home Builders' Association doesn't support what would be a pretty significant increase in the cost of housing, especially when so many consumers apparently don't want to pay for it. Again, it's compounding the problem we have with not enough affordable housing.

Furthermore, we feel that as a society—I think everybody sees ads in the paper with firefighters trying to encourage people just to change the batteries in their smoke detectors now. If we can't get people to do that, we think it's going to be nearly impossible to get people to maintain a sprinkler system in their home, especially when it is very likely they're going to end up having to pay somebody to do it for them. We support both hard-wired and battery-operated smoke alarms installed in every home. We feel it's just as safe and far less costly.

The last item we wanted to talk about was skilled labour. In Sarnia, we're feeling the crunch. It's not as pronounced here as in other parts of the province, to be

totally honest, but it is becoming more of a concern. Informing and educating the public about opportunities available in the construction industry and fighting back against some of the negative stereotypes associated with skilled trades is a pretty big challenge that our industry is trying to cope with. Careers in the trades have traditionally been considered as secondary options for many students. Our membership would like to encourage the development of co-op programs at the high school and college level that would bring students on to sites and provide hands-on experience at an early age in construction and safety practices.

In conclusion, I just want to thank everybody for their attention and extend an invitation that in the next budget we can show that we can work together and maintain what I think is a strong industry in Ontario. Hopefully, everybody would agree that that's something we want to promote and maintain, and not get too greedy on either side, as home builders or suppliers or as government. We just want to keep it thriving. Thank you very much.

The Chair: We'll begin with Mr. Prue.

Mr. Prue: I'll cede, in order to be fair to my Conservative colleague, and get back in rotation the next time.

Mr. Hudak: We're very sensitive about time and the pecking order.

Thanks very much for the presentation on behalf of the Sarnia-Lambton Home Builders' Association; you make some very good points. You're right: The private member's bill is active. It has passed second reading, so it's before the Legislature. Whether it's called for third and final reading debate and a vote, we don't know.

You do raise some concerns about the increase in cost to a home and the maintenance costs to keep that active. Can you give me an example of what it would cost to install for a typical home in the Sarnia area, and then for regular maintenance?

Mr. McEachran: We haven't done any research here in Sarnia. The Ontario Home Builders' Association did a study of a few different places and came up with an average between \$2,000 and \$3,000. It might be a little less in Sarnia if the homes are a little less, but that's probably a reasonable number.

Mr. Hudak: And ongoing maintenance for a home sprinkler system?

Mr. McEachran: To be honest, I don't know. I'd probably have to ask a sprinkler company. I know that where I operate, we have a clubhouse and we have to have an annual inspection done on it. Whether that would be required for homes—I would certainly think, if not every year, then every two or three years would be my guess.

Mr. Hudak: I think any good government economic policy would encourage home ownership: pursuing that Canadian dream of owning your own home and backyard or garden—what you like—or a condo if you live in the city. What advice do you give the committee to encourage home ownership and help young people buy their first home?

1440

Mr. McEachran: That's a good question. I think, really, that a lot of good has been happening already. What's been going on in the province has been good over the last few years; it's cooling off now. To be totally blunt, I would say the biggest thing is, let's not both get greedy and kill the goose that's laying the golden eggs.

Mr. Hudak: How would we strangle the golden goose? What are you concerned about?

Mr. McEachran: My personal opinion is that there's already a lot of taxation on houses, as I pointed out, and a lot of overregulation. The first step is, let's not get any worse. Let's not do more of those two things, and let's try to keep consumers buying homes. That generates a lot of economic spinoff for everybody.

Mr. Hudak: Another debate we hear quite a bit in the home building industry is about the OMB: whether there should be OMB reform and, if so, what kind. Do you have a lot of issues with the OMB in Sarnia and Lambton county, or is it running pretty smoothly? What's your advice?

Mr. McEachran: To be totally honest, that wasn't one of the issues our members brought up. I think, by and large, we might have disagreements from time to time, but things generally run pretty smoothly in Lambton county.

Mr. Hudak: Do I still have time, Chair?

The Chair: Thank you. We'll go to—

Interjection.

The Chair: Do you want back in?

Mr. Prue: We'll be back on track next time.

The Chair: All right.

Mr. Prue: I'm just trying to do it right. It's not complicated; it's easy.

Mr. Hudak: It's very structured.

Mr. Prue: Yes, structured.

I agree with some of what you said, but I have to tell you that I consider Bill 2 absolutely essential—although it's not my bill, I did speak to it in the Legislature back then—and I am astonished and somewhat appalled that you would oppose it. This would add about a quarter of 1% to the cost of a new house. How many people are not going to buy a house if it's a quarter of 1% more in cost?

Mr. McEachran: Actually, that's a good question. If I had known you spoke on it, I would have read that speech beforehand. Basically, there's a good study—I'm not sure if you guys have this. The OHBA made a presentation to the Minister of Finance's pre-budget consultation process; I'm not sure if that's you or somebody else. They hired an economist to do a study to calculate exactly how much revenue and how much housing will stop for every \$1,000 increase on average in the GTA. Specifically in Sarnia, I would say that would be even more severe, because our house prices are less. At my own company, we try very hard to keep costs as low as possible, because we believe that the higher prices go, the fewer houses we'll sell. Do I have a number per \$1,000? I don't.

Mr. Prue: Okay. The firefighters and the fire marshal were there, and they explained how much money it was going to save and how many lives it was going to save. Have you calculated that in?

Mr. McEachran: No. I'd like to see the hard-facts evidence. I've heard studies that say the opposite: that smoke detectors on every level, which I believe is the law now in Ontario—in my opinion, at least one of them should be battery-operated so you don't burn your house down with candles. I don't know that a sprinkler system is going to save more lives than that. I also don't know that an inactive or ineffective sprinkler system that hasn't been maintained is going to save anybody's life, but it will create a false sense of security.

Mr. Prue: The fire marshal also said that the failure of those systems is one per 100,000.

Mr. McEachran: Again, I would ask, were those systems properly maintained or were they ignored by homeowners?

Mr. Prue: No, that's one per 100,000 once installed. I just don't know where you're coming from with this, because it's diametrically opposed to the real facts. Also, the flashpoint in a fire: We have firefighters killed every year who walk into a fire. The flashpoint is usually eight minutes; with a home sprinkler system it's about 20 minutes. So the incidence of firefighters dying would go way down too. Do you have a position on that?

Mr. McEachran: No. First of all, I'm not saying that home sprinkler systems wouldn't save any lives at all; I'm saying we need to look at the entire picture. As far as firefighters, I've got to be honest, that's truthfully a point I hadn't considered. I would like to consider, again, how many people will die when they don't maintain their system and assume it's going to work. A smoke detector without a battery isn't going to save anybody's life, and a sprinkler alarm system that's not maintained because somebody didn't want to spend \$100 a year to pay somebody to come in and maintain it won't save anybody's life either.

The Chair: Thank you. Now we'll move to the government.

Mr. John Wilkinson (Perth—Middlesex): Thanks for coming in, Matt. We appreciate it. The housing industry is a huge economic generator for this province. You're absolutely right: It's a question of balance and making sure we have balance in regard to tax policy, and have the conditions where people are getting ahead, because when they're getting ahead, they're always getting new houses, and we like that.

The development charges thing is somewhat new to me, so I'll make sure we pass that along to the appropriate people. I hadn't heard that before.

The underground economy: You're absolutely bang on. There are people not paying taxes, so that you and I pay more, and that's not fair. But I appreciate the suggestion about making sure the WSIB and CRA are together on the same page instead of being at cross-purposes.

In regard to the fire sprinkler issue, houses with sprinklers pay a lot less home insurance as well, so there

is a reduced operating cost to the consumer if they do that. We had a great debate at Queen's Park about that, and every fire chief in the province was there, personally or in spirit, in support of that. I think we need some refinement on that. The home builders, I think, need to look at that.

In regard to skilled labour—that's my question—we're doing a lot to try to promote gold-collar jobs with our young people, that there are great careers in the skilled trades where you can make a wonderful living for you and your family. I know that OYA, the Ontario youth apprenticeship program, is supported by the home builders. What are you doing specifically in Sarnia-Lambton to try to spread the gospel of skilled labour as a wonderful career? Are you working with the school boards on that?

Mr. McEachran: Actually, it's an excellent question. That's one of the things we really just came up and addressed. Rather than just sitting around and complaining, we are trying to make constructive progress on it. We haven't actually taken our own advice yet and started working on it locally with school boards. This was probably the first time, when we sat down to do this list, that it really came on the radar in a major way.

Mr. Wilkinson: Some of your peers are doing that. I know they've been doing that in the Perth county area, working with the school boards: the Ontario youth apprenticeship program coming out in grades 7 and 8. Kids are learning how to solder and do CAD and create things—getting that message out. I think if you ask the parents of grade 5 students, "Where is your child going after high school?", 80% say university, although only about a third will. So we have this tremendous parental expectation about university, and we need to change the opinion of parents about these great gold-collar jobs that are out there for the asking, and we just don't have enough people going into those fields. Anything you can do to help us with that would be greatly appreciated, because it helps build our economy.

Mr. McEachran: Actually, it's a good idea. To be honest, I hadn't thought of grades 7 and 8—that young—as a place to start.

Mr. Wilkinson: There's a program in Perth and Huron counties. They're doing that.

Mr. McEachran: That's a good suggestion.

Mr. Wilkinson: It's a great idea.

The Chair: Thank you for your presentation.

ONTARIO SECONDARY SCHOOL TEACHERS' FEDERATION, DISTRICT 11

The Chair: I call on the Ontario Secondary School Teachers' Federation, District 11, to come forward, please. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Ms. Wendy Anes Hirschegger: My name is Wendy Anes Hirschegger, and I'm the president of the Ontario

Secondary School Teachers' Federation, District 11, Thames Valley. I'm pleased to be here on behalf of the Ontario Secondary School Teachers' Federation, District 11, Thames Valley, to make a presentation to the 2006 pre-budget hearings. Thank you for the opportunity. I will begin my presentation with a preamble and then make specific recommendations for your consideration.

OSSTF, District 11, Thames Valley, continues to appreciate this government's focus on education and its support of teachers and education workers. After eight years of the previous government's attempts to discredit public education and the very teachers and education workers who were to implement that government's ill-considered reforms under ever-decreasing education funding, many of the initiatives of the first two years of the Ontario Liberal government have come as a welcome relief. That said, eight years of damage done to public education and ever-increasing needs and costs cannot be rectified in only two years, so there remains much to be done and much to be repaired. My presentation will focus on these areas in the local context of the Thames Valley District School Board and the secondary school teachers and other education workers who are represented by OSSTF, District 11.

Recommendation 1: Funding formula benchmarks continue to fall short of actual costs and needs and must therefore be updated and have built-in cost-of-living and inflation increases.

The funding formula generates the funding for the operating costs of the board. However, they have been so seriously underfunded for so long and have not yet been brought up to reflect cost-of-living and inflation increases that many of the funding lines continue to be underfunded, even though in the last two years there have been modest increases. In particular, benefit costs continue to rise dramatically, beyond even inflation, and this puts huge pressure on budgets and compensation packages.

In addition, a considerable problem exists in Thames Valley around declining enrolment. At present, this board has many more schools open than the funding formula supports. Furthermore, the board is in a declining enrolment situation. At the same time, the government requested a moratorium on school closures, so the board must continue to operate those schools.

1450

Not only does the Thames Valley District School Board have the second-largest number of excess pupil places in the province, but the pupil places it does have are in the wrong areas. There are some schools filled to bursting in high-growth areas, and there are others which are half empty in other areas. A long-term accommodation study commissioned by the board from C.N. Watson and Associates recommended the closure and/or consolidation of quite a number of schools in some areas of the board, and the building of additions or new schools in others. These recommendations are being studied by the board of trustees and the senior administration in the development of the capital plan. In the meantime, however, the result is that staff and resources are shifted from

larger schools to smaller ones or that smaller schools get fewer staff, resources and budget. In either case, all are stretched much too far.

Let me give you a concrete example of what happens when this is done. In Thames Valley, we have 29 secondary schools and one grades 7 to 9 school serving high school students. In order to have a qualified teacher-librarian available to teach informational literacy and research skills every period of the day all year, each school would need 1.33 full-time equivalent teacher-librarians. Contractually, one full-time teacher-librarian is assigned to the library for six of the eight periods over the course of a school year. Therefore, for 30 schools, Thames Valley would require 40 teacher-librarians. However, the funding formula only generates one full-time teacher-librarian per 909 full-time equivalent students, so for Thames Valley's total secondary student population, the funding formula generates only 27.67 teacher-librarians.

As a result, only three very large high schools have a teacher-librarian for all eight periods over the course of the year; four high schools have a teacher-librarian for seven of the eight periods; 12 high schools have a teacher-librarian for six periods; three high schools have one for five periods; three high schools have one for four periods; and three high schools have a teacher-librarian for only three periods out of the eight.

Given the fact that a well-staffed and well-stocked library is critical to literacy development and enhancement and to the education of all students, here is an example of a benchmark factor seriously in need of updating. Every high school, regardless of size, should have a teacher-librarian available for every period of the day.

Recommendation 2: The education funding formula should be based on the actual number of credits students take instead of the average of 7.5 credits per student.

While it is true that as of 2005, the government moved the funding for additional credits from the teacher compensation grant, where a board could apply for funding for up to 7.5 average student credits to the foundation grant, it also kept the average number of credits that are funded at a maximum of 7.5. This will continue to impact negatively on school boards since, in most boards, students take an average of more than 7.5 credits. In the Thames Valley District School Board, secondary school students take an average of 7.7 credits. On the surface, this doesn't sound like much of a difference. However, if 7.7 credits were used, the funding formula would generate over 38 more full-time teachers for the board. If those teachers can't be hired, the only other thing that can happen is that class sizes go up. Neither situation—not enough teachers or larger class sizes—is good for student learning and student success. If the board hires the teachers anyway, then the money comes from other parts of the budget, possibly short-changing other areas.

Students take more classes for a wide variety of reasons. Some students take more courses beyond the required number for graduation in order to have a wider

range of post-secondary options. Others need to retake a course they have failed. Still others wish to upgrade courses in order to have a better chance of post-secondary admissions. Some don't feel ready for post-secondary education at only 17 years of age. There are many good and valid reasons why students take more courses than necessary, but boards are being penalized by inadequate funding as a result when the funding is based on a lower average number of courses than students actually take.

Recommendation 3: The education funding formula needs to be modified to include dedicated funding for generating school support staff to ensure adequate levels of professional student support staff, plant support staff and office, clerical and technical support staff who are directly employed by school boards.

The funding formula does not generate enough support staff positions, nor is the funding that is allocated for those positions restricted for use in those areas. As a result, when a board is looking for places to take funding from to cover shortfalls in other areas, it is from these areas that it is often taken, leaving schools with fewer professional personnel such as psychologists, speech-language pathologists and attendance counsellors, and fewer secretaries, custodians and technical support staff.

This has two negative effects on the school system. First, the workload of those remaining goes up, and often some of their duties are downloaded to teachers. Second, there are fewer adults in the schools. Let me give you some examples. If two custodians must do the work previously done by three custodians and there aren't fewer classrooms to clean and they have the same number of hours, it follows that they are spending less time cleaning each classroom or the time elapsed between cleanings is longer. In either case, this negatively affects the learning environment of the students and the working environment of the teachers and other education workers. Or similarly, where there are fewer secretaries, some of the work they used to do—typing exams, photocopying, mark entry, for example—is downloaded to teachers. This adds to the amount of paper-shuffling teachers have to do, taking them away from more useful work such as lesson planning, assessment and evaluation or providing additional assistance to students outside of class.

In both cases, these situations mean that there are fewer adults in any given building, and that gives rise to more potential for behaviour problems among students. With safe schools being a priority for teachers, education workers, administrations, the government and the public at large, it makes no sense to have fewer adults in a school. The higher the number of adults in a building, the less likely it is that there will be problems with bullying, violence and intruders. Video cameras are sometimes helpful, but nothing can replace adult presence in a building in order to maintain a peaceful and safe atmosphere.

The Chair: You have about a minute left for your presentation.

Ms. Hirschegger: And this is about half the length it was last year. Okay. I'll go fast.

Recommendation 4: The government needs to re-establish funding levels for students over the age of 21 and to support adult English-as-a-second-language and literacy courses in schools operated by district school boards.

The government report *Ontario Learns: Strengthening Our Adult Education System*, indicates that improving and enhancing adult education has far-reaching and long-term benefits to all aspects of society. Page 11 of that report refers to an OECD/UNESCO report which found that "adult education and training can contribute directly to the goals of higher performance for underachieving students in the K to 12 system when the adults in their lives gain the language, literacy, and numeracy skills that they need to effectively participate in their children's education." Given that this is the case, we should be doing everything possible to provide and expand adult education opportunities for the communities served by this board and across the province, but in order to do so, the funding for adult education must be increased.

Recommendation 5: In terms of special education funding, the government needs to increase the SEPPA grants as well as revise the special education funding model so that it reflects actual incidence rates and has a built-in generator which accounts for inflation.

In the Thames Valley District School Board, an area of particular concern is the effect that declining enrolment is having on funding. Even though the overall population is declining, the number of students needing special education support but who are not in the "high needs" category is not necessarily declining correspondingly. Merely to maintain the services that the board provides at present means that money has to be diverted from other areas or taken from reserves. In the preliminary budget for 2005-06, the TVDSB estimated a shortfall for special education of nearly \$2.2 million.

Number 6: One area where the government could realize significant savings in order to offset the needs for increased funding in other areas is to eliminate the Education Quality and Accountability Office and its expensive tests. Sampling could produce valid results to assist educators with reviewing curriculum and identifying problem areas. The classroom teacher remains the most reliable person to assess student achievement and to provide remediation.

The Chair: Thank you. I think we will move to the questioning now. You have your points on record, though. Thank you very much. We'll move to the government. Mr. Arthurs.

Mr. Arthurs: You may have a chance to finish the complete presentation. I'm going to jump to near the end, and that's item 6. It's the recommendation to eliminate the Education Quality and Accountability Office and the expense related thereto. Recognizing that the government wants to ensure that there are results, we do results-based planning. We want to ensure that the outcomes of activities in a whole variety of areas, whether it's health or education, are measurable and have positive outcomes. So simply eliminating it and hoping that the system will

provide good outcomes I don't think is a viable option. What kind of recommendations would you make as an alternative to ensure that we can adequately measure the outcomes and ensure that they are positive outcomes?

1500

Ms. Hirschegger: As I indicated, the same results can be achieved through sampling rather than every student, every test. The government needs to ensure that the curriculum is doing the job that it needs to be doing and that the students are able to learn the curriculum. These tests are one-day or one-occasion snapshots. A far more reliable measure of student achievement is the ongoing assessment and evaluation that students get in the classroom. There are also still the national and international tests, which show that Ontario students continue to perform very well in those areas as well.

As I mentioned in my report, one only has to look south of the border to see what ridiculous lengths standardized testing is taken to in the United States under the No Child Left Behind Act to see that these kinds of tests just distort what's really going on and what's really worthwhile in classrooms.

The Chair: We don't have time for another question, so we'll move to the official opposition.

Mr. Hudak: Thank you very much for the presentation this afternoon. I just want to say at the outset, and I mean it with respect, that I do find the sort of screedish nature of the preamble a little bit disconcerting. Even if I disagree with my colleagues from time to time, I do think their intentions are honourable. I wanted to register that concern.

There's been a couple of recent announcements by the education minister that have not been well received by the general public, and I'm curious if OSSTF has a position. The first is the proposal to not allow students to have a driver's licence if they don't stay in school till the age of 18. Particularly those who come from rural areas like Lambton county, for example, may find that difficult. The second is the suggestion to increase trustees' honoraria; some media outlets have speculated up to \$50,000 for school board trustees. I'm wondering if you had a concern about either of those two policies.

Ms. Hirschegger: OSSTF doesn't believe that withholding a driver's licence would be beneficial. There are many students who don't drive or don't wish to learn to drive, and many students who need to be able to drive in order to take care of their families or for a wide variety of things: engage in extracurriculars, for example, after school, things like that. I do note that a similar bill had been introduced by Wayne Wettlaufer of Kitchener-Waterloo, one of the ridings there, as, I believe, a private member's bill in one of the previous sessions. That was for truancy. We didn't support that then either. We think students should be encouraged to stay in school by using good programs rather than withholding a driver's licence. The Thames Valley board has a couple of very good programs in the Destinations and Reconnecting to your Future programs, which are especially designed to re-engage students in the school system, make them want to

be there and achieve a diploma and the skills necessary, whether they're going to apprenticeships, skilled trades, colleges or universities, whatever their goals are.

As for the trustees, the trustees have an absolutely huge job. Watching the trustees in my board—I go to the board meetings almost every time and they work a tremendous amount. They have reams of stuff to read and process. So I think indeed a greater recognition of that in some way is worth considering.

Mr. Hudak: An EQAO test—I appreciate the point you've made—not one that I agree with. But is there a level of standardized testing that you think is appropriate in our schools, or should there not be a standardized testing regime that's province-wide?

Ms. Hirschegger: I don't think there should be a standardized testing regime at all, no, because students are so very different all over the place.

A recent example from the Ontario secondary school literacy test, I believe from last year or the year before, had a passage talking about subways. Students in northern and rural areas who don't know what a subway is thought it was a sandwich shop. It's very hard to develop something that has validity and meaning to all students across our variety of situations, whether they're urban or rural. There are students from diverse backgrounds. I still believe that with a good curriculum, good teachers who are well resourced can do a far better job of anticipating and evaluating student performance than standardized tests.

The Chair: Thank you. Now Mr. Prue of the NDP.

Mr. Prue: First, back to the standardized tests. I'm totally empathetic with you, but it seems that the public has an appetite for these. I don't understand why parents think this is good. I see them opening them up the page to see where their kids are at, whether the school meets expectations or not, and I can tell them in advance before it's even published. Those schools that are in the rich areas in my constituency are going to be at the top and those that are from the underprivileged areas are going to be at the bottom. It is absolutely of no value whatsoever. Am I right?

Ms. Hirschegger: I would tend to agree with you, although I think we have high-performing schools in every area, and it speaks to the level of commitment of the teachers, the education workers and the administrations in those schools. They are trying to mitigate against the very factors that might traditionally hold them back, and I don't think standardized testing will do that. As for why the public has an appetite for them, perhaps they just don't understand what they really show. Maybe it's a touch of competitiveness, too.

Mr. Prue: I suppose, but it does cause problems within my community because people come into my office—and I can't do anything about it—and say they want their son or daughter to go to this school over here and not the one that's closest to them because they feel the education there is inferior. When you explain, no, that the board is putting in extra money, they're putting in extra resources, they understand there are problems, that will not assuage their fears at all.

Ms. Hirschegger: I think if they would go visit the schools, principals and teachers and take a look at the resources that are in the schools, they might have their fears allayed in some respect. It's partly our job to educate the public too, I think, on the matter of standardized testing and what it can and can't show. And maybe real estate agents don't do us a whole lot of favours either when they use the rankings to—

Mr. Prue: Sell houses.

Ms. Hirschegger: Yes.

Mr. Prue: How much would we save if we abolished the EQAO?

Ms. Hirschegger: Information I have from the provincial office indicates possibly up to \$50 million.

Mr. Prue: And that could go into other lines of education.

Ms. Hirschegger: Absolutely.

Mr. Prue: "This board has many more schools open than the funding formula supports" and has "a declining enrolment." Whenever boards and, I guess, governments attempt to close down schools, there's a huge community uproar. Not only are they losing a resource but their kids have to travel farther, usually by bus, and there's a whole community against this kind of stuff. Yet you seem to be indicating that it's probably a preferable situation to build bigger and better schools. Or are you going the other way and I'm reading it wrong?

Ms. Hirschegger: That was, of course, using the information I had. I think what we really need to do is ensure that schools have the funding and the personnel and the resources they need to keep them open. Certainly there comes a point at which a school might become just not viable: Too few students and you can't get the breadth of program or that sort of thing. But in many of the areas of our board, we have one-high-school communities, and closing the school would have an economic impact far beyond the fact of simply closing the school and having the students ride a bus elsewhere. We can do a lot of things in terms of enhancements of programs, but all of that takes money. It's using artificial formulae to fit situations that very rarely are the average that is causing the problem.

The Chair: Thank you for your presentation.

1510

LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

The Chair: I'll call on Lambton College to come forward, please. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of Hansard.

Mr. Tony Hanlon: Good afternoon. My name is Tony Hanlon. I'm president at Lambton College. Welcome to Sarnia. I've been here about four years, so I'm actually having a bit of a flashback. I did my job interview here and it was about 15 people who sat around a table, so if I start to break out in a sweat, you'll understand.

You will be receiving or probably have received a submission from the association of colleges of Ontario, so my presentation is a little more general in context and my recommendations are really one, and we'll get to that at the end.

As I think you know, this is a critical time for Ontario. There are dramatic shifts taking place in our workforce today, and I've identified four primary factors.

One is the global challenge from economic powers that are emerging, such as Brazil, China and India. I was recently in China. They refer to themselves as a developing country. I think they're hoodwinking all of us. They're way beyond a developing country.

There are also rapid changes in technology that are making many of today's job skills obsolete. To give you an example of that, at our college we have a process simulation lab. Some of you, or at least your children, may be fans of The Simpsons. The last thing you want is Homer Simpson running a chemical process plant. It could be quite catastrophic. We have a lab at our college that trains process engineers; it's actually a four-year training program. We just purchased new software to keep up with the technology: \$40,000 for one piece of software. We have to do that to ensure these people are ready to hit the workforce.

There are a number of skill shortages due to a growing economy. I know you've heard from other parts of the province where plants are laying off and so on, but that certainly isn't the case in Sarnia-Lambton. We also, as you probably have heard many times, are facing a number of retirements coming up in the near future. To put that in context for you, we know that in the Chemical Valley, 40% to 50% of their workforce is going to change over. At Dow, for example, the average age of their workforce is 54—again, highly skilled people. I've only been at Lambton College four years, and 40% of my faculty has turned over due to retirement. So this is real and happening.

There are also investments by competing jurisdictions such as the US and Europe, and I could wax eloquent for quite a while about what some other provinces are doing, but I'll leave that out of today's remarks unless you have questions later on.

So there is clear evidence that Ontario's prosperity is at risk. Having said that, our local major employers—chemical processing, petrochemical manufacturing and auto parts—are all facing significant skill shortages in the coming years. Lambton's ability to attract or retain industry is dependent on many factors, but two of them are an educational infrastructure and a skilled workforce. That comment also applies to this province as a whole, and I'm sure you're hearing that as you tour around the province.

While in some parts of the manufacturing sector many high-paying jobs throughout the province are being cut, locally our manufacturing sector is investing billions of dollars in new or updated technologies and infrastructure, and they need a workforce to make sure that technology and infrastructure function well and are profitable. These

plants and the secondary industries that service them are challenged by the need for a highly skilled workforce, while wrestling with the reality that the majority of their workforce is composed of baby boomers set to retire.

We now have an existing workforce that will need new training and new skills. We have new generations of young people who often don't have the necessary skills and training to make a meaningful contribution in today's high-tech economy. Strengthening Ontario's competitive edge must become a public policy priority—for business, educators and for the government.

Ontario's colleges have been leaders in trying to assess the scope of this challenge. In October, we launched a province-wide consultation called Pathway to Prosperity, and we're examining the workforce challenges for the 21st century. We're still compiling the data. You will be getting a report on this later, but we can tell you that employers, industry, unions and economic development officials are worried. They're worried that 50% of our young people have not completed a formal education that goes beyond high school. They're worried that we do not have a comprehensive strategy for retraining our existing workforce. So here are my key points:

As you prepare your 2006 budget, I urge you to continue the vital theme that highlighted the 2005 budget, and that is to continue to focus on the education and skills training of our workforce and provide reasonable access for people throughout Ontario. Higher education and skills training must be a priority for everyone. I think you heard from the Ontario Chamber of Commerce earlier, and certainly they have it on their set of recommendations.

As you look at the funding for post-secondary education, I urge that you do it in a strategic way. While all education adds value, more funds should be directed toward what drives and grows our economy: The sciences, technology, trades, health professions and applied research with commercialization potential need focus and attention.

Locally, due in part to the province's investment in post-secondary, skills development and applied research, Lambton College has been able to offer new programming that begins to address the pending workforce needs, the new economic directions that the city and county are pursuing, and we have partnered with local industry on a number of initiatives, including commercialization projects, which I know is on the agenda for the current Premier. We also welcome, as a college, the addition of the UWO research park and look forward to collaborating with them in the future.

Mr. Wilkinson has left the room, but he did have a question to a previous speaker, and I would like to address that, because it shows what we are trying to do as a college around skilled trades. His question dealt with, what do we do to attract more young people into the skilled trades? We just launched last week a mobile skilled trades lab, which is a tractor-trailer 55 feet long with 10 workstations. It's a partnership with the separate school board of education. We brought in a private sector partner, Canadian Tire, who put up the money for the

tools, and the Sarnia-Lambton training board, who put money on the table to outfit the trailer. This trailer is going around the counties of Lambton and Chatham-Kent and is targeting grade 7 and 8 students and providing them with a hands-on, real experience so they can see these trades. As many of you know, very few elementary schools have shops anymore, so this is our way of addressing that.

In summary, probably if you reflect upon the day, our community leaders are working hard to grow and diversify our local economy, and Lambton College sees itself as being a key player in that. Our community success adds significantly to the province's prosperity. We trust that our comments are helpful and constructive. I'd be glad to answer any questions that you may have.

The Vice-Chair: Thank you for that presentation. I'd certainly like to see more information on that trailer.

We go to the official opposition. Mr. Barrett.

Mr. Barrett: Thank you for that presentation. So much of the challenge across Ontario is continued economic development. As you indicate, there's a big world out there—Brazil, India and China—and the pace of change is rapidly accelerating.

I think of an institution in Sydney, Nova Scotia, the University College of Cape Breton—pretty tough economic times there a few years ago; the coal industry has probably helped out a bit now in that part of the world. That particular institution is obviously involved in teaching and training, but from my understanding in meeting with them, they also were out in the community. They rolled up their sleeves and, in a sense, went far beyond their mandate of just teaching or instruction or skills transfer and were very actively involved in disseminating the knowledge that so many of their staff and instructors had to work with the community. Do you see a greater role for that in the future, not only in the community college system but also the university system, given the expertise that lies within many of your staff?

1520

Mr. Hanlon: Absolutely. I think that's a responsibility community colleges and certainly universities have. I think the example of the University of Western Ontario coming to Sarnia and establishing a campus, specifically targeting applied research and commercialization projects—we're in the early days of that. But certainly the expertise they will bring and the partnerships that can happen with the college and the private sector, particularly with the chemical plants in the valley; some new technologies that are emerging in biotechnology; and bringing in the agricultural components of our area—those are all extremely important.

Mr. Barrett: So many of the presentations last year before the standing committee on finance and economic affairs were from universities and community colleges. This year, not so much, I think because the Rae report has come out. Whether that was linked, I don't know. With the work that Bob Rae did, was there any indication at all about a broader role for the expertise from these institutions? I'm thinking more of assisting those

communities that are perhaps not handling rapid change as well.

Mr. Hanlon: I think the role of a community college is outreach. For example, here at Sarnia-Lambton, the economic development corporation's strategic plan around diversification called for development of alternative energies. So they worked with us at Lambton, and we have developed a three-year alternative energy program to assist them in that movement and to start to develop a labour force that actually will hit the workforce in 2008. So we're getting ready for that. We're also partnering with them on some hydrogen projects. Again, that's something that probably would not have happened if there hadn't been a community college. We see a role for the University of Western Ontario to play when they come to town through the research part. You can take that example and replicate it in a number of communities, whether it's northern Ontario or other parts of southern Ontario.

I think the other role is that for communities that don't have a university or a college, it is our responsibility to reach out to those communities, especially a one-industry town that may be going through a restructuring in the workforce and needs redevelopment or adjustment.

Mr. Barrett: That's quite heartening.

The Vice-Chair: Thank you. We'll go now to the NDP.

Mr. Prue: I wasn't going to ask this, except that you almost got into it in the last line of questioning. Probably the most depressed communities would have to be the aboriginal communities in the north. There is very little opportunity for people to gain an education by staying there. They usually have to leave and then go back. Oftentimes, what they learn is of very limited value.

In almost every community, they have what is called a contractor's house. That's where somebody comes from outside to do the work in the community. Some of the communities had difficulty re-shingling a roof, had difficulty understanding the connection of a pipe. Someone stole a pipe and they had to move out of the house because it was no longer functional. Is there something we can do? Is there something your college can do or the government can do in line with the colleges to train young people in those communities so that they can be of service to the community? Because I really think bringing in outside contractors every spring is not going to ever develop the potential.

Mr. Hanlon: Absolutely, there is a role for the colleges to play. I think, as you probably know from your travels up there, it's a very complex issue. To me, there's a shared responsibility between agencies, government and the chief and the tribal councils in those areas in that we all have to take some level of responsibility. You almost have to start right down in the elementary school system, in classes that they have, and raise the standards and the quality of the education that those young people are getting to give them a higher level of success when they go into either college, skills training or university.

The major problem is that when these kids leave the reservations, or even when we go in and deliver on site in

a reservation, they don't have the academic prerequisites. We're almost setting them up for failure. There's not an easy answer to this one. It's not simply that Lambton College goes in and does carpentry training. A lot of preparation work would have to occur and so on. But again, it's almost going back to that elementary school level, investing more there and holding everybody who's involved accountable, because over the years there has been quite a bit of money invested, as everyone knows, but we haven't got the results that everybody is expecting.

Mr. Prue: But if the government were to try to change the way it's done—because a lot has been invested, with negligible results—and came to the community colleges like Lambton, as an example, and said, "We want to reinvest. We want you to take the time to do it right, to go into the community, to upgrade, to get them ready, to train them, to make them useful and workable in their communities," I'm sure the community colleges would jump at such an opportunity, would they not?

Mr. Hanlon: Yes, they would. But we would want to do that in partnership with the local aboriginal government and with the local boards of education. The only way these types of initiatives can be successful is to have those types of partnerships and to have people sign off on their accountabilities—who's going to do what and how you are going to measure success—and then stay with it. There are examples, particularly in the north, where colleges have been successful. I think Confederation and Northern College do a lot of work with their aboriginal communities. So while there have been a number of projects where the results have not been what you would expect, there have also been some where they have been quite successful. So it's looking at those and how we build on those success stories.

The Chair: Thank you. Ms. Di Cocco for the government.

Ms. Di Cocco: Thank you very much, Tony, for coming before this committee. I have to say that I want to thank you for all the work you have done over the past four years as CEO of our college. There certainly have been some interesting times for you, I know, on many fronts.

In your submission, you talked about—and I think the government certainly agrees—our competitiveness, that our ability to get into the 21st century on this global economic stage that we're on requires a well-educated, well-trained population, if you want. That's the reason we certainly are investing more dollars than ever before into not just primary and secondary but post-secondary education as well. As you know, the Premier was in China. I believe they were there for about 10 days. They also noted that some of the elementary schools in China are using some of our curriculum. I don't know if he mentioned that. I know that Lambton College also has a presence in China as a satellite. Could you just provide us a little bit of information on that?

Mr. Hanlon: Sure. Actually, Lambton College has almost as many students registered in China as we do

here in Sarnia-Lambton. We have three partnerships with three universities in three different cities in China, and we have over 2,000 students registered. We deliver business management curriculum and management information systems curriculum. As you probably know, the Chinese are very interested in the North American market. They're very interested in our business practices and in our culture. So we, as a small college, have been recently successful over there. I was there last fall and oversaw three graduation ceremonies. But an interesting little fact came out at one of the government meetings we attended. In our submission as the Ontario college system—I think everyone around the table would be somewhat in agreement with this—we would target that we would want 70% of our secondary school students to go on to post-secondary. The deputy governor of the province, in the city of Changchun, which I think has around 12 million people, stood up at a meeting we were at with about the same number of attendees and said he was very proud because as of September 2005 they now had 70% of their secondary school students going on to post-secondary education. So that's the type of thing that we're up against.

Part of why Lambton is there is also to bring students over to Sarnia-Lambton. We want to expose our students here to what's going on globally, and one way of doing that is to expose them to other cultures; and also for the city itself, as part of a strategy they're looking at to attract more immigrants to the area. So that's why we're there.

1530

The Vice-Chair: We have 30 seconds.

Ms. Di Cocco: If there is one thing that you think the government should hear about small colleges, what the need for small colleges is, what would it be?

Mr. Hanlon: I think it's the question that came earlier: How do the colleges help develop a skilled workforce; how do they partner with industry and with economic development and local government to ensure the workforce stays skilled? Most small towns have a major issue with youth retention, and we play a vital role in that to ensure that there is a breadth of programming that will allow students to stay in their home area if they want. We also provide an economic stimulus, because 40% of our student population comes from outside the county of Lambton. If you take a rough figure of \$10,000 a student, that's about \$14 million that comes into the city. Some of you probably have kids in post-secondary, and \$10,000 is on the low end. I know that when I write the cheques for my children, it's a lot more than \$10,000.

The Vice-Chair: Thank you very much for the presentation, Mr. Hanlon. It was, I think, one of the best we've had from the colleges in the two years I've been on tour. It gives me hope for where we're going.

ONTARIO FLUE-CURED TOBACCO GROWERS' MARKETING BOARD

The Vice-Chair: The next presentation is the Ontario Flue-Cured Tobacco Growers' Marketing Board; Chris

VanPaassen, vice-chair, and Harry Vergeer, a director. Would you come forward, please? You have 10 minutes to make your presentation. Please state your name for the purposes of recording Hansard.

Mr. Chris VanPaassen: Thank you, Mr. Chairman and committee members. I'm Chris VanPaassen. I'm the vice-chair of the Ontario Flue-Cured Tobacco Growers' Marketing Board. With me today is Harry Vergeer. He's a member of our board and he farms near West Lorne.

This committee has seen representatives of our current board, and our predecessors before us, a number of times. Many of our past presentations from this board and our farmers were focused on tobacco taxation and our concerns that increasing tobacco taxes were driving tobacco use underground, thereby hurting our market and our communities.

That is still the case. Illegal tobacco products are being used in increasing numbers all over this country. Smugglers, buoyed by the high margins because of tax rates and weak penalties, have made cigarettes their product of choice, putting cheap cigarettes in the hands of young people. Unfortunately, the problem is spiralling out of control.

Today, I want to focus on new ideas from our farm community. Our farmers have thought long and hard about our future in Canada, and we have lost confidence that we can keep our farms and our communities together much longer. What was once a slowly declining but relatively stable business has turned into a disaster. Crop size is at an all-time low, imports are increasing faster than ever as manufacturers cut prices in this high-tax environment, and our farmers are going broke.

In short, farmers are bearing the brunt of both tobacco control policies and the corporate response to those policies. Today, governments are collecting more tax revenue from the sale of tobacco products than ever before: \$9 billion in 2005 alone. Tobacco manufacturers continue to be profitable. However, tobacco farmers are facing economic ruin. Local communities are facing social upheaval: businesses are closing, schools are threatened and people are fearful about their future. We've tried to make this thing work. Governments, at times, have as well, but unfortunately, under the current set of circumstances, tobacco production is no longer a viable option in Canada.

What is the solution? A universal exit plan for Ontario tobacco producers.

Governments and government-funded tobacco control advocates have waged a war on tobacco for years now. It has been a tough, aggressive campaign to denormalize the tobacco industry and tobacco use. That campaign has been successful, and tobacco farmers bear the brunt first. We have been beaten. Now we need a plan for life after tobacco production in southwestern Ontario. Why don't we just grow something else? We hear that question all the time. Tobacco farmers have made incredible efforts to diversify their cropping over the years: ginseng, sweet corn, potatoes, asparagus, peppers—the list goes on. Unfortunately, other farmers already produce these crops,

and just a handful of tobacco farmers entering any of these new markets presents a problem for those who are already there. It doesn't mean that we should discount other agricultural solutions, but it does mean that there are no easy answers. However, one thing is clear: If it is government and society's position that everyone would be better off without us, then the first thing that needs to happen is to get us out of tobacco production.

Our farmers have their life savings invested in tobacco farms, most of it in quotas and specialized machinery. To get them out of tobacco production requires a focused, targeted, fair and equitable plan. That plan needs to be set in motion now.

From our perspective, we have put forward five key guiding principles to accomplish this. They are as follows: Ontario flue-cured tobacco farmers need a full exit plan; the exit plan should be done over a defined time period; the program that is put in place needs to be universally accessible to flue-cured tobacco farmers; the plan needs to include a fair and equitable payment to flue-cured tobacco farmers that recognizes losses in their investment in tobacco production, the lost earnings, their debt levels; and, due to their reliance on a tobacco economy, additional community economic development will also be required.

Many countries in the world have undertaken anti-tobacco campaigns similar to Canada's and have included as part of that strategy an adjustment program for tobacco farmers which provides a fair and equitable exit from tobacco production. In the case of Australia, a tobacco exit program was put in place in the mid-1990s. Its goal was to reduce the size of the domestic industry by offering an attractive tobacco quota buy-out that most Australian tobacco farmers took.

In the European Union in 2003, an industry restructuring plan was established to phase out tobacco subsidies over time, thereby encouraging tobacco farmers to exit tobacco production and, where applicable, move into production of other farm products. In essence, the EU proposes to continue paying the tobacco subsidies but not requiring the farmer to produce tobacco to receive them, thereby providing the farmer with a disincentive to produce.

In the case of the United States, an agreement was reached between government and tobacco farmers to buy out all the US tobacco quotas. The program was put in place in late 2004 and is funded through a levy on the manufacture of tobacco products for sale in the United States. The cost of the program is \$10 billion over 10 years, with equal yearly payments made to farmers. Each farmer can choose to exit the industry or can continue growing. All farmers were required to relinquish their tobacco quotas. Thousands of these farmers have left the business already, and it is expected that a substantial number will follow in the years ahead.

Last spring, the federal government, Quebec and Ontario put in place the tobacco adjustment assistance program. This program was designed to help a percentage of tobacco farmers leave the industry, thereby

also benefiting those who remain by allowing them to grow a slightly larger crop. It was appreciated as a first step toward resolving this issue. However, while this program was needed to avert economic disaster, throughout the process of putting the TAAP program together our board advocated that a more comprehensive and proactive solution was required.

In early December, we went to our farmers and told them that we were proposing going down this course, and we have had overwhelming support from our membership. Since that time, we have worked hard to inform candidates running in the federal election of our situation. We were able to secure support from politicians of all stripes and commitments to work quickly to bring resolution to this matter.

But that also requires participation and strong leadership at the provincial level. Nearly all tobacco that is grown in Canada is grown in southwestern Ontario. In addition, Ontario has designated itself as a leader in tobacco control initiatives; to use the words of the Premier and the health minister, "to fight a war on tobacco."

This is not purely an agricultural issue. It is driven by the broader government policy. It requires interministerial response. It requires commitment and fortitude. We are optimistic that the provincial government will meet these challenges. The first step is to put a process in place for discussion, a forum to set objectives, parameters and timelines. Fortunately, before the federal election, the previous federal ag minister and Minister Dombrowsky both agreed to do this. The new Conservative government has said that they will do the same. These commitments are very helpful. Now is the time to turn commitment into action. We need to sit down, hammer out a plan and implement it prior to this spring.

1540

The uncertainty in our community is boiling over. Communities, financial institutions and our farmers are watching with anxiety. They want to see governments, manufacturers and farmers solve this thing once and for all.

Our message to you is this: We aren't going to swim against the tide any more. If people want tobacco out of Canada, so be it. But we need a fair and equitable way to exit this business. No more Band-Aids and no more half-measures. A universal solution for all Ontario tobacco farmers is an absolute necessity. Thank you.

The Chair: Thank you. We'll begin this round with Mr. Prue of the NDP.

Mr. Prue: Thank you very much. At the time of the debate on the last bill banning tobacco in public areas, the minister made a great deal of the fact that a huge subsidy was going to be paid to tobacco farmers. It certainly helped to convince me to support the bill. I believe the amount was \$250 million. I can't remember exactly how much money, but there was a lot of money involved in that. Do you remember that, or am I mistaken?

Mr. VanPaassen: I wish I would have been in line when those cheques came out.

Mr. Prue: I don't think the cheques have ever come out, but a commitment was made.

Interjection: Fifty million.

Mr. Prue: Oh, \$50 million. I'm told it was \$50 million.

Mr. VanPaassen: Last year, through the tobacco adjustment assistance program, the provincial commitment was \$50 million, \$35 million of which went to the tobacco farmers exiting the industry and \$15 million into a community transition fund.

Mr. Prue: How many years is that supposed to last, or was that a one-year commitment?

Mr. VanPaassen: The TAAP program was a one-time program between the federal government and the province of Ontario and the province of Quebec.

Mr. Prue: This is the budget committee, the finance committee. How much will it cost for this full exit strategy you're looking at? I didn't see a dollar figure here, and we always want to see one, you know.

Mr. VanPaassen: Our first real act is to get that commitment, to sit down at the table at the federal level, the provincial level, the marketing board; to get in that room and find out what road we're going down. We've laid out some general principles of an exit plan over a defined time period. We haven't got into the discussion on a price tag and who should pay for it yet, but we're hoping to enter into those discussions very soon.

Mr. Prue: We now, of course, have a new government, and I suppose sometime early next week we'll have a new agriculture minister. So we're going to have to wait at least to see who it is. Have you had any indications from the Ontario government that they're willing to continue the process they began with the previous Liberal government?

Mr. VanPaassen: Yes, we've had commitment from Minister Dombrowsky. I think we have a meeting scheduled with her next Tuesday. We have met with Minister Peters and Dave Levac, and with Mr. Barrett and Mr. Hardeman as well, who represent the tobacco-growing districts, which are the majority of our producers, along with any other MPs. We're trying to continue this process and keep it moving along.

Mr. Prue: So what you need from this committee, then, is just for us to say, "Please continue the process." At this point, that's what you're asking us. You don't need anything else from us at this point.

Mr. VanPaassen: Well, we'd take a big cheque, but we'll settle for getting the process going.

The Chair: Now we'll move to the government.

Mrs. Mitchell: Thank you, gentlemen, for coming out and making a presentation today. As you both are aware, I'm the parliamentary assistant to the Minister of Agriculture, Food and Rural Affairs. I just want to make a comment, and then I want to go into a question.

Part of the Minister of Finance's announcement of the increase on a carton of cigarettes—there have been additional resources that have been part of that, which have been assigned to convictions. It's my understanding that convictions on contraband are up by 35%. I know that

has been a concern, so I just wanted to get that on the table today.

My question: You've spoken about the \$35 million in here, but talk to me about the \$15 million and how that has worked in the communities, looking at transferring the economics. Where are you with that?

Mr. VanPaassen: I have to apologize; I forget the official title of that program. We call it the transition dollars.

Mrs. Mitchell: I do too. I can't remember the official name, but we're both talking about the same thing.

Mr. VanPaassen: Yes. I think the committee that approves the projects met last week, and they've approved two projects. They're just going through the process of it. One was to establish new peach orchards. A possible one they're looking at is a climatic study in Norfolk and Elgin counties to develop some potential cropping patterns that could be established there, comparing them to the Niagara Peninsula, with the micro-climates. That process is just starting to move forward. They've accepted a lot of applications, but they're just starting to go through the approval process.

Mrs. Mitchell: So the process is in place and is working now. It's just starting to unroll.

Mr. VanPaassen: Yes.

Mrs. Mitchell: I guess "unfold" would be the better word, wouldn't it?

I want to say to you too that I will make sure the minister receives this information and what you are looking for. I had hoped you could attach a dollar figure that I could include in the report, but I just want to make you aware that I will make sure Minister Dombrowsky receives this as well.

Mr. VanPaassen: Thank you.

The Chair: Now we'll move to the official opposition.

Mr. Barrett: I want to thank the tobacco board. I've had trouble accepting this. I've certainly had a lot of phone calls from the people you represent. I've talked to a lot of people, and we all recognize that we did lose this battle and it is over. On the financial side in Norfolk county alone—the one I represent—one of four or five counties involved with tobacco, we've lost five new car dealerships. You guys are not buying trucks; you're not buying anything. The debt load of people I've talked to is very significant for farmers who have no income right now. From many I talk to, I hear \$750,000. Obviously the banks are worried; the Farm Credit Corp. is very worried about this.

Mr. Prue raised the issue of what you need from this committee. I do commend members of this committee. Was it last year or the year before when the members put forward and passed a motion supporting moving forward with the \$50 million in assistance? I'm heartened to hear the communication directly to Minister Dombrowsky. She has met—she certainly agreed last fall to sit down with representatives of tobacco farmers. I guess my question is, what else would you like this committee to

do as far as trying to assist the Ontario government to basically put you out of business?

Mr. VanPaassen: You've touched on the first step. That anxiety that's in the communities and within the financial institutions: We need very quickly some path, some direction that we can all agree to head in to try to stabilize those communities until the bigger picture is totally solved. If we get a direction to calm down the financial institutions, then we can proceed with discussions on working out the details. But that first step, again, is the urgency of the matter to keep those communities growing. You well know that more than half of the tobacco producers are in Norfolk county. A lot of the economic activity in all of Norfolk county stems from that tobacco industry, and it's creating instability in all the communities.

Mr. Barrett: At a minimum, I would hope that members of the committee support Minister Dombrowsky in agreeing to sit down with the farmers. I know it's important to health—this is health driven, and it's also driven by finance. At a minimum, I would ask this committee to support a meeting or a series of meetings and then, down the road, we would get the federal government involved.

Mr. Harry Vergeer: I think the important thing for everybody to understand is that when the board took the initiative to announce, not only to Canada but to the world, that the growers in Canada were throwing their hands up and saying, "We've had enough; we can't fix this anymore," for all intents and purposes we set something in motion that cannot go back. We're into a funnel, and it's going around and around. We don't know how it will end up, but we have taken the final step for our growers. We need support from everybody to understand that the farmers in Ontario and Canada are done.

1550

We can no longer live in an environment where the viability—this tobacco business as we knew it has changed forever. The economics today and the way people who choose to use tobacco products—and there's still 20%, whether we agree or disagree. I don't smoke. I wish nobody smoked, but that's the reality. You had better come to grips with where they're getting their products, because again, this announcement is putting in place an opportunity for young people. This thing is designed to hopefully convince young people that smoking is too expensive. Unfortunately, what you're doing is letting people access \$2-a-pack product today. We know where it's coming from—everybody in this room knows where it's coming from—and there's no mechanism to stop it.

As much as I understand what is going to happen to the growers—I understand it; I respect the fact that the government's responsibility is to look after its citizens because of what tobacco products can do. I understand that. But by the same token, by pricing it where they're pricing it, our kids today have access to some of the cheapest tobacco products in years. You've got to understand that. When a product today in a zip-lock bag is

worth \$2 for 200 cigarettes and the stuff in the store is \$8 to \$10 a pack, you don't have to be a rocket scientist to figure out where the kids today are going to get their smokes. They've got to look at this and they've got to come to grips with the real problems of tobacco.

The Chair: Thank you for your presentation.

SOCIETY OF ENERGY PROFESSIONALS

The Chair: Would the Society of Energy Professionals please come forward? Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Dale Lane: My name is Dale Lane. I'm a member of the Society of Energy Professionals and a lifelong resident of Ontario. I came here today to identify issues affecting many people and businesses across the province that should be considered when drafting the provincial budget. As I see it, we have the perfect economic storm developing on Ontario's horizon, and preparations should be made for it.

The first element of the perfect storm coming to Ontario is the strong Canadian dollar. For years, many businesses in our country and province have enjoyed the benefits of a relatively low Canadian dollar in global markets, which has made Ontario- and Canadian-produced goods extremely competitive for American and international buyers. Unfortunately, that is no longer the case today, and should be factored into the provincial budget to assist companies that are struggling because of the high Canadian dollar. With robust demand for Canada's energy supplies in global markets, which are expected to remain strong for some time to come, the Canadian dollar shows no sign of retreating to more traditional levels.

It's hard to pick up a paper these days and not see stories of Ontario-based plants shutting down, causing many people to lose their jobs, with the strong Canadian dollar being cited as a factor in the closings. In many cases, the work is being transferred to operations of the parent company in the US.

Just this past Saturday in the Sarnia Observer was the story of Rubbermaid Canada, in business since 1910, closing down its Watford, Ontario, operation. The plant closure will result in 50 people losing their jobs and their work being transferred to Jackson, Missouri. For those who may be unfamiliar with the area, Watford is a small village about 30 minutes east of here, south of the 402. Mayor Todd Case of Watford compared the 50 jobs lost in their village as equal to 1,000 jobs being lost in a large city. In the same paper was the story of 325 people working at the Woodstock plant of John Deere, who were told they would be out of a job when their work is transferred to Iowa.

Another factor in the perfect economic storm coming to Ontario, which should be considered in the provincial budget, is the increasing cost of electricity. Numerous job

losses have been announced by companies citing increased electricity costs as a factor in plant closings. Two examples are again to be found in southwestern Ontario. From the Globe and Mail last June was the story of Calgary-based Nexen, saying Ontario's high electricity prices made operating its Amherstburg plant too costly and, with no end in sight, was shutting it down, with the loss of approximately 20 jobs. Dow Canada cited Ontario's energy policies as a factor in the relocation of approximately 25 jobs to Midland, Michigan. Officials from the company stated concerns about the impacts of government policies on the reliability of future electricity supplies as being a factor in the decision.

While the two previous examples may not have provided a convincing case that increasing electricity prices should be factored into the provincial budget, announcements from the forestry and automotive sectors should be. Announcements from the forestry and automotive sectors do not include job losses in the tens or hundreds, but rather in the thousands of jobs lost. When spinoff jobs are factored in, the number is easily in the tens of thousands of jobs lost. Most of these are well-paying jobs that, on their own, could support entire families across the province. The announcement of 1,200 jobs being eliminated at Ford of Canada's St. Thomas assembly operation was described as devastating for employees there. These job losses were in addition to 1,100 job cuts announced last fall at Ford plants in the Windsor area. An even more troubling announcement concerning Ontario workers was last fall's announcement by GM to eliminate 3,900 jobs at three of its Ontario plants. While announcements of major job cuts in Ontario by Ford and General Motors might be tempered by Toyota's plans to build an assembly plant in Woodstock, they point out that many Ontario plants no longer enjoy a competitive advantage over plants in the US.

Smaller in numbers but perhaps more devastating for the communities involved were announcements of mill closings in northern Ontario. Thousands of jobs have been lost because of these mill closings across Ontario, and, when spinoff jobs are considered, job losses in the forestry sector will likely be in the neighbourhood of 10,000.

For these reasons, the increasing cost of electricity in Ontario should be factored into the provincial budget to help companies stay in the province, providing good jobs for residents of Ontario.

The last element of the economic storm coming to Ontario, which should be factored into the provincial budget, is the increasing cost of natural gas. The cost of natural gas has been increasing for some time, and in fact set two record high prices in 2005. The chart on the following page shows the volatility of natural gas pricing for two recognized delivery hubs in North America.

While the price spike from September 2005 to US\$12.70 per MMBtu was the result of hurricanes disrupting natural gas production in the Gulf of Mexico, the price spikes from 2001 to approximately US\$9 per MMBtu and this past December to US\$13.95 per MMBtu

were the result of low storage inventories and market fears that supply would not keep up with demand. The high prices in 2001 forced Canadian fertilizer companies to shut down and import cheaper fertilizer products from Russia. In fact, since 2001, about 20% of North American ammonia capacity has been shut down or relocated because of high natural gas prices. In the US, approximately 40% of fertilizer capacity was shut down at the beginning of 2001 because of high natural gas prices.

Like most commodities, the price of natural gas is determined by supply and demand. Unfortunately, for the last several years, Canadian supply has been stubbornly flat while North American demand has increased. To try to put the North American natural gas supplies in perspective, as stated in the Ontario Power Authority's Supply Mix Advice Report, almost 50% more natural gas wells were drilled in Canada in 2004 than in 2003 but generated only a slight increase in production. To add further context, the number of wells drilled in Canada in 2004 was approximately 16,000, representing almost 44 natural gas wells drilled every day of the year across the country.

While it would be true to say there is no current shortage of natural gas around the world, the same would not be true of North America. In their report on natural gas deliverability 2004-06, Canada's National Energy Board states that for much of this decade there has been "an extremely close balance between supply and demand." The report goes on to say that tight market conditions "have been contributing to high and volatile natural gas pricing." The chart on the following page, presented to the Canadian Council of Energy Ministers this past September, illustrates the competitive pressure North America natural gas users are facing, and in fact, we have the highest prices of natural gas in the world.

The chart, on the following page, shows the problem of North American natural gas supplies, or the lack thereof. The fact that approximately three quarters of the world's natural gas is contained in Middle Eastern countries and the former Soviet Union is a concern. While Canada may have abundant natural gas reserves, it is of little consequence with the free trade agreement we have with the US. The agreement requires Canada to offer our supplies of natural gas for sale to the US at the same domestic price. Depending on the estimates used, Canada exports between 40% and 50% of our natural gas production to the US, which accounts for only 15% of their demand. With these figures, it's obvious the price of gas in North America will be set in US markets, not by Canadian industrial use or residents of Canada trying to heat their homes in the wintertime.

1600

Natural gas needs to be recognized for the valuable resource it is. Not only is it used for space heating, water heating, cooking and residential applications, it is also used in industrial processes to provide the base ingredients for plastics, fertilizer, antifreeze and fabrics. Natural gas is consumed in the pulp and paper, chemicals, petroleum refining, stone, clay and glass, plastic,

and food processing industries. Natural gas is so valuable that the president of Dow Canada said that using it to make electricity rather than more profitably for petrochemicals is "akin to using a \$100 bill to light a candle for dinner." Some also feel it is too valuable to use in the tar sands to produce oil and describe it as turning gold into lead because a clean-burning fuel is being used to produce a dirty-burning fuel.

The prices of petrochemical feedstocks are also a major concern to the local petrochemical industry, employing thousands of Sarnia-Lambton residents. Because of limited supply, local petrochemicals will be competing for natural gas supplies with other large users of natural gas like electricity generators. Because of the captive market natural gas electricity generators enjoy with the contracts they have signed, they will be setting the market price for natural gas use in the province. Not only will this lead to new record-high prices for natural gas, it is likely to lead to new record-high prices for electricity, both domestically produced and imported.

Another segment of Ontario that deserves consideration in the upcoming budget is the elderly and those on fixed incomes. The pressures of a high Canadian dollar, increasing electricity prices and increasing natural gas prices will affect this segment the most. I'm specifically concerned about my 78-year-old mother, who has lived in the same modest house for the last 43 years in Windsor, now surviving on her old age pension and a survivor's pension from my late father. It would be a shame if increasing energy prices, rather than her physical condition, forced her out of her home.

In closing, I would urge you to consider the effects that the high Canadian dollar and increasing energy costs will have on the businesses and people of Ontario when the provincial budget is set. Thank you.

The Chair: Thank you. This round of questioning begins with the government. Mr. Arthurs.

Mr. Arthurs: Dale, thank you for the presentation on behalf of the Society of Energy Professionals. We're moving into an era where we're obviously exploring and implementing a variety of energy strategies to provide a reliable source over a period of time—more reliable than it has been in the recent past; that's the obvious objective. But we know there are going to be cost drivers related to that. Apart from fixing energy prices, what are some of the things we can be doing, from your professional point of view, to ensure we have long-term reliability?

Mr. Lane: I think a diverse energy supply, including things like windmills. They're good. The price of them needs to be recognized, but they're a good, clean energy source. Let's not put all our eggs in one basket. The reality is that even if we wanted to, the province couldn't run entirely on nuclear power, because the way the load changes during the day, the nuclear units cannot follow. These new natural gas plants that are being planned also cannot follow the load completely. So there will be some combination of generation sources required to meet demand in the province.

Mr. Arthurs: I'm thinking that demand is going to be a continuing challenge.

Mr. Lane: Yes, it will be.

Mr. Arthurs: What about solar? We're not talking a whole lot about it, although we are talking about solar as a renewable option. Can we drive the prices down through incentives for solar production?

Mr. Lane: I don't know if it's a matter of driving the prices down. I think using natural gas will drive the prices up so that solar is competitive. The high price of natural gas is making wind extremely competitive economically. For any generation or energy source, all the factors need to be considered. So while solar power may be environmentally friendly in its end use, the hazardous chemicals used in its production need to be considered. Just like natural gas: The methane in it that's 20 times as potent as carbon dioxide as a greenhouse gas needs to be considered. The hydrogen sulphide in it that's removed at the well needs to be considered too.

The Chair: Now we'll move to the official opposition.

Mr. Hudak: Thank you, Mr. Lane, for your presentation. It does read as a sad litany of manufacturing job losses in southwestern Ontario and across the province. Sadly, we were in the north, in Timmins, when Bowater announced the closure of its Thunder Bay plant, which is a new, efficient facility. Then, the next day we learned about the John Deere closure in Woodstock that you just mentioned.

While there has been positive job growth on the services side in Ontario, it does fall behind the average of the other provinces. As you point out very well, these are well-paying manufacturing jobs. A strong manufacturing industry should be the heart of Ontario's economy, not something that we're shedding. I do worry about the hydro policy, which I think is misguided and dangerous. It's just going to exacerbate that situation.

The government members say, "We're exploring options for other hydro supply." Are there other jurisdictions that are getting out of the coal business altogether and going to areas like solar and wind instead?

Mr. Lane: Not that I'm aware of. I had the opportunity to attend a conference in Calgary last week on clean coal, and in fact jurisdictions around the world are embracing it, spending millions and billions of dollars to use coal more cleanly. But, unfortunately, it's not an option for Ontario.

Mr. Hudak: The minister—and I think the Premier too—has said there's no such thing as clean coal. Are they misguided or is there a misunderstanding?

Mr. Lane: I really wouldn't want to comment on that. I can only tell you what I heard at this conference last week, where research around the world—in fact, Environment Canada has developed Canada-wide standards for mercury removal while burning coal. So I think that says that, from the federal government's point of view, burning coal is a necessity and you do have to capture as much mercury as you can from it, and they

have developed these Canada-wide standards as a guide for people to follow.

Mr. Hudak: When you're at a convention like the one in Calgary and you're speaking with energy professionals from other provinces or states or countries, what do they think about Ontario's energy policy to shut down the coal plants?

Mr. Lane: They laugh.

Mr. Hudak: They laugh?

Mr. Lane: They laugh.

Mr. Hudak: That certainly is going to have a pretty detrimental impact on investment in the province, I'd imagine, for new manufacturing.

Mr. Lane: I believe it would.

Mr. Hudak: The other important issue associated with this that we heard about today in Sarnia, and your presentation talks about it, is the spinoff impacts of depending on natural gas and the impact on the petrochemical industry, which uses it for feedstock, for example. Would you care to go into a bit more detail about the other impacts, the unintended consequences of depending on natural gas as a fuel supply?

Mr. Lane: The contracts aren't published, but my understanding of the contracts that have been signed with these natural gas generators is that they just pass on the cost. So back in 2001, when the price got too high for fertilizer producers, they just went and bought their fertilizer product from somewhere else because it was cheaper, and that helped limit how high the price of natural gas got. Because electricity is a different product than fertilizers, the sky's going to be the limit. These generators will just offer electricity and, as long as Ontarians are using it, the price will just keep going up.

The Chair: Thank you. We'll now move to Mr. Prue of the NDP.

Mr. Prue: The costs are a worldwide phenomenon, but particularly a North American phenomenon, as you correctly pointed out. You haven't talked much about solar energy. I know that photovoltaic cells aren't really the answer because they don't produce enough electricity, but solar energy can produce a great deal of heat. I know in my own house I took out my gas-fired pool heater—I have a pool—and I put in a solar one that gets so much hot water in that pool I have to turn it off, because it produces too much. It costs absolutely nothing; not one cent. I know you could put all the hot water in everybody's house, I know people on top of apartment buildings are now including it. Should we be insisting

that new buildings have that kind of stuff to harness the energy of the sun, even if it's only for heating hot water?

Mr. Lane: Absolutely. I agree.

Mr. Prue: But there must be other things. That's just one that I've done in my own house. There must be so many things that can be done like that. Should we be insisting that energy efficiency and energy recapture is what's done?

Mr. Lane: Yes. Energy efficiency will go a long way to help Ontario meet its demand of electricity and conserve natural resources. Efficiencies of things like small motors can be increased, I understand, by using larger wires in them. It makes them more efficient but also makes them more costly. There are things like that that can be done. Absolutely, government should be doing everything they can to encourage increased energy efficiency.

In Europe, some power plants burning coal have a thermal efficiency of around 90% because they use the hot water used in the process in the plant for district heating. Again, it would avoid natural gas or electricity or some other form of space heating in the homes that are taking advantage of that. So we do need to increase our energy efficiency around the world, really, and I think Europe is probably a good place to look for examples.

Mr. Prue: We had a gentleman who came in and made a deputation to us, I believe it was yesterday, about the little tiny turbines that can be put even in a creek or a river that would produce enough electricity for a house. If you had a river, you could just put one of these in and it would produce enough electricity for your house, even for two or three houses. Should we be insisting that these be put in all of our rivers and streams that have a flow?

Mr. Lane: I guess there's a balance between the natural environment, but in general, yes. I don't know how much of a contribution they can make. Ontario's demand on a high day would be in the neighbourhood of 25,000 megawatts. The new plant that's been announced for Niagara Falls—I think they've played with the units a little bit—it's good for about 180 megawatts, by my calculations. These small units have their place. If they can offset other sources, they're great. I think we have to be practical about how much energy they can supply, but they do have their place.

The Chair: Thank you for your presentation.

Mr. Lane: Thanks very much.

The Chair: We are adjourned.

The committee adjourned at 1611.

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CONTENTS

Tuesday 31 January 2006

Pre-budget consultations	F-259
Sarnia and District Humane Society	F-259
Ms. Marilyn Horner	
Clean Affordable Energy Alliance	F-261
Ms. Carol Chudy	
Sarnia and District Labour Council	F-264
Mr. Ray Fillion	
Sarnia-Lambton Economic Partnership	F-266
Mr. George Mallay	
City of Sarnia	F-269
Mr. Mike Bradley	
Sarnia Health Coalition	F-272
Mr. Glenn Sonier	
Sarnia-Lambton Chamber of Commerce	F-274
Mr. Garry McDonald; Mr. David Grant	
Township of St. Clair	F-277
Mr. Joe Dedecker; Mr. John Rodey; Mr. Charles Quenneville	
Ontario Long-Term Care Association	F-279
Ms. Heather Martin; Mr. Gilbert Heffern	
Big Brothers of Sarnia-Lambton	F-282
Mr. Michael Hurry	
Canadian National Taxpayers Coalition / Canadian Advocates for Tax Awareness	F-286
Mr. Norm Gurr	
Community Homelessness Initiative Network	F-289
Ms. Kathy Wodzinski	
Community Legal Assistance Sarnia	F-292
Mr. Andrew Bolter; Ms. Karen Mathewson	
Sarnia-Lambton Home Builders' Association	F-295
Mr. Matt McEachran	
Ontario Secondary School Teachers' Federation, District 11	F-298
Ms. Wendy Anes Hirschegger	
Lambton College of Applied Arts and Technology	F-302
Mr. Tony Hanlon	
Ontario Flue-Cured Tobacco Growers' Marketing Board	F-305
Mr. Chris VanPaassen; Mr. Harry Vergeer	
Society of Energy Professionals	F-308
Mr. Dale Lane	



F-8

F-8

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Official Report of Debates (Hansard)

Wednesday 1 February 2006

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Mercredi 1^{er} février 2006

**Standing committee on
finance and economic affairs**

Pre-budget consultations

**Comité permanent des finances
et des affaires économiques**

Consultations prébudgétaires

Chair: Pat Hoy
Clerk: Trevor Day

Président : Pat Hoy
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Wednesday 1 February 2006

Mercredi 1^{er} février 2006

The committee met at 0906 in the Delta Kitchener, Kitchener.

PRE-BUDGET CONSULTATIONS

GREATER KITCHENER WATERLOO
CHAMBER OF COMMERCE

The Chair (Mr. Pat Hoy): The standing committee on finance and economic affairs will now come to order. The committee is pleased to be in Kitchener today.

Our first presentation this morning is the Greater Kitchener Waterloo Chamber of Commerce. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Ms. Sarah Macauley: Good morning. My name is Sarah Macauley. I am a policy analyst with the Greater Kitchener Waterloo Chamber of Commerce. Also joining me today is Linda Korgemets. Linda is the chair of our tax task force and is also a director on our board.

Our chamber is the second-largest chamber of commerce in Ontario. We have over 1,700 members, who employ more than 63,000 people in Waterloo region. The greater Kitchener-Waterloo area is one of the largest census metropolitan areas in Canada, with a population of approximately half a million people. According to the Conference Board of Canada, this region's diverse economy is the fastest-growing in Canada, and our regional GDP is in excess of \$19 billion.

Our chamber remains concerned that the prosperity gap between Ontario and its peer states is widening. According to an annual report from the Institute for Competitiveness and Prosperity, when we compare Ontario's competitiveness with performance in a peer group of 16 North American jurisdictions, Ontario places 15th out of 16.

Ontario has a prosperity gap of approximately \$8,300 per household compared to its North American peers. This represents lost opportunity for Ontarians. If Ontario were to focus on reducing this gap, a number of beneficial opportunities could be realized. For example, if the prosperity gap were closed, it would add \$75 billion to Ontario's output and would add \$28 billion in tax revenues for the Ontario and federal governments. This increase in tax revenues could help address funding issues in health care, education and social services.

We believe that the following actions will help further boost Ontario's economy:

(1) Invest in essential infrastructure for growth. If Ontario, through vital urban centres such as Waterloo region, is to sustain and strengthen its competitive position in the global marketplace, new strategies must be implemented to ensure that municipalities have the resources to manage the significant growth that we will face over the next 30 years. We recommend that the province move ahead in partnership with municipal governments, business and the broader community in the development of specific initiatives that will meet critical transportation and infrastructure needs outlined in the proposed growth plan for the greater Golden Horseshoe.

(2) Enhance post-secondary education. A highly-skilled and educated workforce will critically impact innovation, productivity, social benefits and our future economic competitiveness and prosperity. We recommend that the government of Ontario increase investment in post-secondary institutions to the national average over the next three years, and to the top 10% of publicly funded post-secondary institutions in North America over the following five years, by reallocating money from within the existing provincial budget.

(3) Eliminate barriers for internationally trained professionals and tradespeople. Eliminating these barriers is essential to enhancing Ontario's workforce to combat current and future skilled trades shortages. We recommend that the provincial government continue to support and provide funding for certification, licensing and accreditation of internationally trained professionals and tradespeople, and further encourage co-operative programs that help to integrate them into Canada's business sector.

(4) Improve Canada-US border infrastructure. Canadian industry is highly integrated with the United States. In Ontario, the economic success of our provincial exports is dependent upon a just-in-time delivery system which requires an efficient and effective border, particularly at Windsor–Detroit. We recommend that the province work with the federal government and proceed immediately with proposed infrastructure improvement projects at the Windsor–Detroit gateway to ease capacity and reduce congestion impeding efficient movement of commercial traffic and travellers.

Ms. Linda Korgemets: I'm Linda Korgemets, a volunteer with the chamber. So how do we spend our money to get all these things that Sarah has just asked

for? Well, we do need to return to annual budgets that are balanced; so how do we do that? We note that there was a recent study prepared by the Ontario Chamber of Commerce, Fairness in Confederation, addressing the fiscal imbalance. We encourage the province to lobby the new federal government to develop an appropriate framework to lessen this gap and to rethink the provincial equalization model.

Another way to balance our budget on an annual basis is to limit our spending increases, and to limit them to population and inflation growth. Now, we ask for new spending, and we know you can't just pull those numbers out of thin air. We really believe that there has to be a reallocation process out of existing programs that aren't working or that have become a low priority—and it's all about priorities.

How else can we save money and balance our budget? We can have less Ontario government. Along those lines, we're very pleased to see that the Ontario government is working with the federal government to have them assume the corporate tax collection and audit functions of the Ontario government. That means less government, less civil servants, less cost. We really applaud that initiative and we want that to move forward. We thank the Ontario government for taking a look at that and hope that it can happen soon.

How else can we balance our budget? We need to pay down debt, and just so we all know the number, because it's a pretty big number, in the last fiscal year debt increased \$8 billion; it was a 5% increase in one year. It moved up to \$157 billion. Right now our debt-to-GDP ratio is 28%; in the early 1990s it was 15%. Our recommendation is to get back to that debt-to-GDP ratio. This necessitates paying down debt—that's the hard answer. We know you can't pay down debt when you're in a deficit, but we want to see a return to balanced budgets so that debt can be paid down, so we can save interest costs, and the interest costs can be spent on strategic investments.

What else do we think needs to happen in Ontario? We believe that Ontario businesses need a boost at home if they're to continue to deal with competitive pressures of a high Canadian dollar, Chinese manufacturers and a lagging auto industry. Because of this, we're stressing that income tax cuts should occur at the corporate level, and capital tax cuts should occur. Federal capital taxes have been removed, and as I understand it, as one of the election promises, they're removed effective January 1 this year. Ontario plans to abolish the capital tax in 2012. Originally they were going to abolish it in 2008. We strongly recommend that this regressive, non-competitive tax be abolished sooner rather than later.

Another point that we'd like to make—we make it every year, we've been making it for at least eight years or more—is harmonizing sales tax. What can I say? We believe it's going to bring simplification to the tax system that will give cost savings for business. It will also result in less tax administration and government savings. So it's a win-win.

We know the major detraction from this is that it is difficult to do on a revenue-neutral basis and we believe that's why it hasn't been adopted in Ontario. But we believe that, with federal co-operation, harmonized sales tax systems can be introduced, along the lines of what happened in the Maritimes. We believe that Ontario should begin the process of these discussions with the federal government.

I want to talk a little bit about health care, one of our biggest-ticket items. I want to thank the Ontario government for funding Cambridge Memorial Hospital's capital expansion. We're very excited in this region to have that announcement, and very thankful.

How are we going to save money on health care? We can't keep spending at the rate we've been spending. We need to streamline delivery of health care services. We have to use technology, harness technology in something simple like sharing patients' health records between health care providers. This cuts down on the amount of diagnostic tests that have to happen each time you go around to a different specialist. We want health care services integrated, and we want to replace scarce physician resources through the use of nurses, psychologists and physiotherapists—basically, medical service providers who are, I believe, less expensive than trained doctors. We really need a new approach to delivering health care.

We have to address physician shortages, though, because we know we don't have enough and we know a lot of them are about to retire. Our chamber has been working since 1998 to attract physicians to this region. We've stepped our recruitment efforts up another level, and we've just announced the chamber health care recruitment council. This region is growing rapidly and has below-average unemployment and very high employment. So we know that our employers, our members, to attract people into this region, need to be able to say to them that they will be able to get a doctor in this region.

The Chair: You have about a minute left for your presentation.

Ms. Korgemets: Thank you. We need to ensure that foreign-trained doctors are recertified as quickly as possible, and we need more movement on this. We also need more spaces for medical students at Ontario universities. On our wish list is something called a program to repatriate Canadian-trained doctors working outside Ontario. So let's get some of our Ontario-educated doctors back into Ontario, and let's find a way to recruit them back.

Last but not least is electricity, another key issue for business that's going to locate in this area. We need reliability of supply. We know there's a recent recommendation out, a long-term strategy for nuclear power. We haven't studied that sufficiently ourselves to be able to comment on it, but we strongly recommend that the phase-out of coal-fired plants not take place in 2009 as planned. Ontario should adopt clean coal-burning technologies for existing plants. I've heard—and I have not checked this—that we have 70 years of coal left. Coal represents a large component of our current supply mix,

and it gives us a reasonable price for the resource. I know that that deadline has constantly moved out, I believe from 2007 to 2009. We really stress reliability of electricity for southwestern Ontario, and we believe we should be adopting clean coal.

Thank you. Any questions?

The Chair: Thank you for your presentation. This opening round of questioning will go to the official opposition.

Mrs. Elizabeth Witmer (Kitchener–Waterloo): Thank you very much, Sarah and Linda, for an excellent presentation. I'm always impressed when the chamber makes any presentation. You've done lots of research, and you've come up with what I think are outstanding recommendations.

I just want to ask you about one that you didn't mention but that is part of your health care reform. You've indicated here the need for the Ontario health care premium to be reviewed, with a view to reducing and ultimately eliminating it. How would you see that happening? What type of plan would you be recommending for that phase-out? It's actually something that our leader has indicated he supports.

Ms. Korgemets: We believe that that was an increase in tax, and our platform is not to increase taxes. I think we want to know that the money is being spent properly, first of all, when we say review it on an annual basis, and if it's not really reaching the goal that it was intended to reach, it will have to, we believe, be repealed. We have to address the health issue not by throwing more money at it. We really say that health has to be rethought. We're not smart enough to rethink it. We've come up with a few recommendations. We don't want to talk about private health care. I would love to talk about it, but I know it's just taboo. There's no quick fix, but it needs to be revamped. The idea isn't to raise more money to put into health. The idea is, how do we deliver health in a more cost-beneficial manner?

0920

Mrs. Witmer: I guess today there was a report that came out that actually spoke to that, that we need to deliver health services more efficiently. We're probably actually spending lots of money on it, but we just need to do a better job.

If you had one recommendation that you thought the government should incorporate in their budget, what would it be in 2006? What would be your top priority, or your top three?

Ms. Korgemets: Time is ticking here, eh? That's a very direct question. I'm a tax practitioner, but I am representing the chamber as well, and I truly believe that taxes on corporations have to come down. That last rollback of the corporate income tax decrease, which was going to go down to 12%, is now at 14% for the income tax rate. Truly, I would rather see capital taxes just disappear off the face of the earth. You can tell this is a very personal view, but it's couched in terms of chamber members having to pay less tax, so that they can use that

money in their businesses and expand their businesses and compete globally. That's the top of my wish list.

The Chair: Thank you. Now we'll move to the NDP.

Mr. Michael Prue (Beaches–East York): This is a conundrum, I think, for the government. I'm not in the government. But you say that there should be a reallocation process out of existing expenditure categories that are no longer effective or are low priority. Which government departments do you think should be cut? The reason I ask this is that somebody came the other day and said that in their opinion agriculture and tourism had been cut. Do you think we should cut out those programs? Do you have others?

Ms. Korgemets: I don't think we would recommend that any departments be cut, and I would rely on—I have to think of the infrastructure of the Ontario government. I don't think it's necessarily the Office of the Provincial Auditor, but surely there's some sort of controllership department in the government that looks at budgets.

Mr. John Wilkinson (Perth–Middlesex): Management Board.

Ms. Korgemets: Yes, the Management Board. The problem is—I agree—at a distance, how can the chamber suggest what departments or programs get cut? You have to be totally involved in the fabric of what's behind those numbers to understand how to get your expenses down. So my comment would be that it would be the Management Board's responsibility, or whoever has fiscal authority for the Ontario government, to figure out that very hard question.

Mr. Prue: You also talked in the same vein about fewer civil servants, and you gave the example of the taxing people going to the federal government. Those people who work for the province make tens of millions of dollars more for the province than their wages cost, because they go out and find people who are ripping off the tax system and they collect in a way that the feds never have. How is that good for Ontario? Maybe business likes that, because you don't end up getting caught, but—I'm being trite here a little.

Ms. Korgemets: No, no. I can handle those questions; don't worry. I deal with auditors at both levels in my business. We equally get caught by the feds and Ontario, so I look at them both neutrally and just know that we're going to be writing a cheque, not because we try to reduce our taxes in the wrong way. I will be quite honest. The things that get caught on audit, of the ones that our firm is involved in, that I'm involved in, are actual errors that have been made in bringing the numbers up. So I still believe this can be streamlined. It's streamlined for personal tax in Ontario. You've already always had that off-loaded at the federal level. I just believe that one auditor, one tax collector is the way to go, and other provinces certainly have adopted that, with the exception of Ontario, Alberta and Quebec.

The Chair: Now we'll move to the government.

Mr. John Milloy (Kitchener Centre): Thank you very much. I'd like to welcome everyone to the greatest

riding in Ontario, and also Canada's fastest-growing economy, as you point out.

I want to begin my questioning on that point and talk about a skilled workforce and whether you are finding that your members, being part of Canada's fastest-growing economy, are facing challenges in terms of recruiting skilled workers. Maybe you could sort of highlight some of the recommendations of what we could do as a province to help with that.

Ms. Macauley: One thing that comes to mind is to look at what other provinces are doing in their recruitment of skilled workers around the world. Another thing is immigration, as we mentioned. We feel that something needs to be done to eliminate barriers that immigrants face when they come in. For example, we're hearing from our members on the one hand that they cannot fill positions and we're hearing from people on the other hand that there are new Canadians here who have all of the skills needed to help fill these vacancies. There needs to be a bridge between employers and new Canadians.

One way that we look at to help address this issue is credentialing and the recognition of qualifications. That needs to be restructured or it needs to at least be looked at in order to help bridge new Canadians with the skills and employers with the vacancies.

Mr. Milloy: As you know, we've invested a fair amount in apprenticeship programs. I just wonder, is that starting to pay off or are your members seeing, at least going into the future, that they're going to have more skilled workers through this? Are there other ways we can enhance the programs?

Ms. Macauley: From what we've heard, there's still a shortage and there's an impending gap that is occurring, specifically with tradespeople like welders and electricians, which is projected to occur within the next 10 to 15 years. That comes from a study by the Waterloo-Wellington Training and Adjustment Board. It could be too early perhaps to tell if the effects of these apprenticeship programs are paying off. We may need to just wait a little bit further down the line to see if it's going to have the effect that we're hoping for.

The Chair: Thank you for your presentation.

WATERLOO REGION HOME BUILDERS' ASSOCIATION

The Chair: I call on the Waterloo Region Home Builders' Association to please come forward. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Douglas Stewart: That is fine. If I can begin, Mr. Chairman and members, my name is Douglas Stewart and I am the first vice-president of the Waterloo Region Home Builders' Association. In fact, in a few months I will be our president. My background is that I am a registered professional planner and I have over 30 years of experience working in private and public. I am employed by a firm in town called PEIL, which provides

professional consulting services not only in Kitchener, but also in Hamilton and Mississauga.

I am a volunteer with our home builders' association. In fact, the association is based on our members. We are also part of the Ontario Home Builders' Association and the Canadian Home Builders' Association. I can indicate to you that, as a volunteer, I am dedicated to making sure that the residential construction industry voice is heard.

What I've done to help you is provide you with a package of information as it relates to my speech today. Firstly, I appreciate the opportunity to speak on behalf of our association. Our message to you today is about making sure we have a strong Ontario Municipal Board; I want to talk a little bit about the impact of development charges; I want to encourage the province to continue to support infrastructure funding; I want to outline the impact of skilled labour shortages; I would like to discuss a little bit about the concern with home fire sprinklers; and I want to talk a little bit about the impact of the underground economy.

0930

I'd like to talk a little bit about our association and its relationship with OHBA and CHBA. The home builders' association has been providing the voice of the residential construction industry since 1946. The association is made up of approximately 250 member companies, and we are involved in all aspects of the home building industry. Through our member companies, we employ in the region of Waterloo approximately 18,900 employees, and we are an important part of both the regional economy and the provincial economy, and you'll see that in our package. The local association is one of 31 associations spread across this province. As I said, we are part of the Canadian Home Builders' Association as well.

The OHBA is the voice of the industry in Ontario. It represents about 4,000 member companies across the province. Our membership does involve all aspects of construction, as I indicated. Together our members produce approximately 80% of the new housing in this province. We estimate that our industry employs about one quarter of a million people, and we contribute approximately \$34 billion to the province's economy annually. That's outlined in our handout.

The Ontario housing market in 2005 was both active and healthy, with approximately 80,000 housing starts. This is due to the interest rates on mortgages, increased immigration and high consumer confidence. All of this was part of that strong housing perspective. For 2006, our perspective is to continue to remain healthy. In fact, the Canada Mortgage and Housing Corp. is forecasting a very healthy 75,000 housing starts. We also expect, through changes to existing housing through the renovation market, a further contribution of about \$15 million. We expect that the existing housing stock being resold will continue to remain strong.

It's clear that here in the region of Waterloo, the housing market is strong. It's clear, though, that the housing market is changing, and there are a number of factors affecting that. Adopted in 2003 was the region's growth management strategy. That now has been somewhat

replaced by the provincial Places to Grow, which was adopted and approved in 2005. As we proceed through 2006, this province is adopting the proposed growth plan for the greater Golden Horseshoe.

It's clear that our association has been involved in the review and the preparation of that document. We've been somewhat, though not directly, involved, but we have participated when asked, and in your package you'll see our response. Our response takes a proactive approach, because that's the style our association wants to adopt. We are in the industry; we can give you what we would recommend.

But to our association, what's important in this region is that if you look back to a conference that was held here that was in support of the Ministry of Public Infrastructure Renewal, it was the first conference in this country where both private and public sector got together to discuss the issues and the opportunities of the new way housing will be dealt with in a reurbanization. On behalf of our association, we thank you for your support. I think it's an excellent example of how both the public and private sector can work as a team and be successful.

The expectation is that housing will decline in 2006. We did a review of our members across the province. They talked about the fact that there are potential shortages of available developable properties, rising interest rates and skilled labour shortages, and development charges are a key in the cost of construction. If we are to maintain a healthy construction industry, we need to address each one of those issues. We have provided you in our package a report prepared by the Greater Toronto Home Builders' Association that outlines many of these concerns. The report is called *Jobs in Jeopardy: The Government Could Stall the Housing Engine*. It was dated October 18. I encourage you to take the time after this to review this. The basic principle is that as costs go up, fewer houses are built, fewer people are employed, and the effect on the industry in the province is significant.

The Chair: You have about a minute left for your presentation.

Mr. Stewart: Okay. I will continue quickly. The Waterloo region appreciates your consideration and asks for the following:

We want a strong Ontario Municipal Board. We believe that's an important aspect to ensure that the provincial strategies are implemented.

We also are concerned with taxes; we believe we are one of the highest-taxed industries. We are concerned that the Development Charges Act basically sets the standards that the municipalities implement, but there's no means for a review unless there is a challenge. In this region, we have appealed the city of Kitchener development charges because we believe the charges are incorrectly applied. We're asking that you encourage a review of all development charges bylaws by an independent group. We are concerned that this will have a significant impact on housing.

We're asking that you provide infrastructure to support the new growth that the Places to Grow will propose. We are concerned that sprinklers are being proposed when in fact there's a more cost-effective way by having a direct-detect.

We are concerned that, as our workers are aging, they're not being replaced. We need to encourage more involvement in the industry through an apprentice-type program.

We're concerned that the province needs to support the housing industry by making sure that there is a process and a means for us to continue to provide—let's be clear—the homes for our residents of this province.

I thank you for the chance to speak with you today and present our comments.

0940

The Chair: Thank you very much. This round of questioning will begin with the NDP.

Mr. Prue: Thank you very much. I agree with everything you have to say, I think, except for the issue of sprinklers. I must admit, I am totally puzzled by your industry's opposition to something that will save lives, that puts the cost of a house up by maybe less than 1%, that fire chiefs across Ontario all recommend is a good thing, that will help firefighters and that will reduce insurance costs. All of those things will happen with sprinklers in a house. I fail to understand why you are opposed.

Mr. Stewart: If I can begin, I believe the proposed legislation is to apply just to new house construction, so we need to be clear that there will be a significant portion of the housing market that won't be addressed by that. There are independent studies done by CMHC that indicate that it's not the best means to provide the protection we're all after. The houses built today are more protective than the ones from the past. To me, you need to be looking at the cost-effectiveness of what you're proposing. Providing a direct-detect system will address the same issue. As we've outlined, every new cost to housing reduces what gets built and what is affordable. I think that's a key mandate of this province.

I can provide you examples where home builders have offered the sprinkler as part of the house package, and the request from the consumer is, "I'd rather have hardwood floors. I'd rather have something else than the sprinkler system." So I'm not convinced, on behalf of our association, that the consumer wants it. It does have a significant impact on the cost of housing and thus on what is affordable. I believe there is a means that can address the same issue that is more cost-effective and can apply to existing housing stock.

Mr. Prue: We know the means for existing housing stock, but the fire chiefs have a demonstration that shows what happens with a sprinkler and what happens without a sprinkler in terms of a flashpoint, where lives are actually lost, especially firefighters' lives. The sprinkler system can really get beyond of all that.

I just equate back—and somebody made this suggestion the other day to me: When we first put in seat belts and airbags in cars, nobody wanted them. People

said it was such a foolish idea, yet today we know it works. Don't you think that in the future, people will know that the fire chiefs and the firefighters were right?

Mr. Stewart: I would remind you to look at the studies done by CMHC, completely independently, and look at what their recommendations are. Those recommendations suggest that connecting from a direct-detect is the preferred solution.

The Chair: Thank you. Now we'll move to the government.

Mr. Milloy: Thank you, Mr. Chair. I'd like to thank Mr. Stewart for his presentation and also acknowledge the work that has been done, as you mentioned in passing, on some of the issues surrounding downtown intensification, and the very successful conference that was held a little less than a year ago.

You've outlined a number of points in your opening. One of them involved the underground economy, and I wanted to give you a chance to comment a little bit further on where you see the problems arising and some of the things we could be doing to combat it.

Mr. Stewart: Thank you. It's interesting. You prepare this and you think you've got it down pat, but then you discover, "Boy, it goes by quickly."

Our concern is that there are lots of people who choose to repair houses or build houses who don't make use of members of our association. The advantage to making use of our association—I think the key is what we pay toward the province in taxes and that we protect those who are building houses. They have to be members of workers' compensation and all those things. To us, there is a real issue of education. If you retain someone who is not part of the regular economy and there's an injury, I don't think you understand what the true significance would be to you and what you're potentially liable for. It is most incumbent upon us and you to ensure that there is greater public education on this issue because I think this has a significant impact not only to you but to us.

Mr. Milloy: Are there specific measures we could do to—

Mr. Stewart: I don't have those for you today, and I don't want to answer something I can't answer. But I would be pleased to provide that to you. Please remember, I am a volunteer of an association. I don't have all the answers. I'm not like Mr. Caplan, who presents himself that he has the answers. Please ask the questions. I will provide you with that information.

The Chair: Very good. If you do that, we'll ensure that every member gets a copy.

Now we'll move to Mrs. Witmer.

Mrs. Witmer: Thank you very much, Mr. Stewart. I really appreciate your being here on behalf of the Waterloo Region Home Builders' Association. I appreciate the work that the association has done over the years. You've certainly been strong supporters of the homebuilding industry here, and we appreciate your leadership.

You mentioned that there are a few storm clouds and that perhaps the construction of homes is going to

decrease somewhat in the future. I think we are seeing signs of a bit of a slowdown; we've seen some loss of jobs in the province recently. I would share the concerns about the underground economy and the need to do something about that.

You mentioned skilled trades and the fact that the population continues to age. Is there anything specific that you think government could do to support encouraging people to enter the trades or retain those we have? It certainly is going to be critical to the construction sector in the future.

Mr. Stewart: I believe the first thing we need to overcome is the perception out there that a skilled trade isn't an honourable position. I think we are all encouraged to continue our schooling. What we need to do is change that general perception, because skilled trades are exactly that, skilled trades, and they are an important aspect. We need to encourage our high school students that they have options, and I think we need to continue to support not only high school programs but also college apprenticeship programs that deal with that.

Our association sponsors high schools that do design of housing; we recognize them for that. In fact, we have had a program with our association for students who most likely might not have continued in school. We bring them out and they build a house. I think there are great examples we can do. As for what you can do, again I think we have to deal with the education issue, we have to deal with apprentice programs and I think we need to change the perception that a skilled job is not an honourable job.

0950

The Chair: Mr. Hudak.

Mr. Tim Hudak (Erie-Lincoln): Thank you for the presentation. A quick question on the greenbelt: The government brought forward a piece of greenbelt legislation that many have suggested will lead to rising housing prices and make it increasingly difficult for young families and immigrants to afford a home. There have also been suggestions that the Waterloo region should be greenbelted. Do you have an opinion on the merits of greenbelt legislation like we've seen in the GTA?

Mr. Stewart: I believe the greenbelt has done exactly that: It has resulted in a significant increase in the cost of buying property, and thus the cost of housing. Should a greenbelt be proposed here? Again, I'll rely on my former experience as a regional planner. This Waterloo region had the very first regional plan in Ontario. That plan and the structure of that plan have stood the test of time since 1976. This Waterloo region implemented a regional growth management strategy before the province did. So historically, this region has been first and foremost in providing good planning controls. Do we need a greenbelt? No, I don't believe it needs to be done. I think the existing approach to how growth has been handled in Waterloo region since the first regional plan meets the intent and spirit of what is being proposed in the greater Golden Horseshoe.

Having said that, the planning controls of today and the planning controls of the future are affecting the affordability of housing. It's not just affecting my industry, in that I represent those that are for-profit builders. It's affecting groups that are trying to buy parcels of land to provide affordable housing, such as Habitat. One of the things I volunteer my time for is to help Habitat find parcels of land to build housing. I help them get through the entanglement of the planning process as well. That's one of the things my business does; it's one of the things I do. So even those groups are challenged finding parcels. The brand new approach of this province is to say, "Outward greenwoods expansions: bad." Well, I don't think we've had that here. We need to build inward, and I think we're not doing a good job of it.

The Chair: Thank you for your presentation.

ONTARIO FEDERATION OF LABOUR

The Chair: I call on the Ontario Federation of Labour to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Wayne Samuelson: My name is Wayne Samuelson. I'm president of the Ontario Federation of Labour.

Mr. Chris Schenk: My name is Chris Schenk. I'm the research director of the Ontario Federation of Labour.

Mr. Samuelson: First of all, let me say how pleased I am to be here. If I look like I have bags under my eyes, it's because I couldn't sleep in anticipation of my opportunity to speak directly to my government about issues that are important. I have a prepared submission, which I will not read to you. However, I will go through it and provide some comments in the 10 minutes you've allocated.

The Ontario Federation of Labour is the umbrella organization for the labour movement in the province of Ontario, with just over 700,000 affiliated members. Our brief this year focuses on a number of issues: pension reform, energy costs, public-private partnerships, labour legislation, and poverty and homelessness. Of course, time doesn't allow me to go into great length on each of those; however, I will try to hit on them.

At our convention last year in Toronto, we debated extensively a paper on pensions, which, as you will know, is a major issue in the province of Ontario. That debate focused on a number of issues, and I'm just going to touch on them. It's the continuing pressure we attempt to put on all levels of government to put indexing as part of the legislation, so that workers don't find their pensions eroded. We also have been pressuring government for quite some time to take a serious look at the Ontario pension benefits guarantee fund. As you may know, it was implemented 18 years ago and has seen no significant funding increase or changes in the legislation.

There's another provision, section 5.1 of the Pension Benefits Act, which actually allows big employers to get out of their responsibility to fund pension plans. You may have been watching what's been going on in Stelco. The situation at Stelco can, in many respects, be tied straight back to this provision, which allowed that company to divert millions of dollars in pension contributions over to their own bank account and resulted in the crisis that was going on in that industry in the last year or so.

At the same time, the Income Tax Act prevents employers from actually putting money into plans once they're 10% overfunded, which results in the employer getting a contribution holiday. Then, as the stock market and the equity markets drop, those funds find themselves short of money, which is quite amazing considering that our laws actually prevented the employer from putting money in for quite some time.

The final issue I'm just going to touch on is joint trusteeship. I would encourage you to have a serious discussion on the issue of joint trusteeship and avoid the incredible mix-up you've got going on when it comes to your OMERS discussion. I would think that government should look at situations where pension plans under joint trusteeships have worked very well, and they do exist, for example, in the OPSEU trust. Look at those models rather than whatever the heck you've managed to do with OMERS.

My second point to talk on has to do with the crisis in the forest industry. I understand you've recently travelled in northern and northwestern Ontario. I need to say to you that I am so frustrated with the approach of this government to dealing with what is probably the biggest crisis we've seen in this province in some time. The impact of those kinds of mill closures in northwestern and northern Ontario—and, frankly, eastern Ontario—is unprecedented in that industry. It requires immediate action and attention by the Ontario government. Certainly there are many factors that impact—the Canadian dollar, the ongoing softwood lumber dispute, the weakening of the consumer markets in the US—but clearly, one of the major challenges faced by that industry is your electricity policy and the impact it's having on those mills in northern and northwestern Ontario.

I should tell you that I appeared after a group at the hearings around your energy policy, and it was interesting because it was a group of employers who warned you that exactly what is happening was going to happen. I can remember coming behind them and for the first time in my life saying how much I agreed with their position on energy pricing. It has literally devastated that market, and I think your government should move immediately to bring the players in the room and have a serious discussion about how you deal with the energy pricing up there, how the impact of moving from your publicly owned and operated energy at-cost model is devastating that economy. While my friend talks about this community as being the fastest-growing, let me assure you: I know this community very well, and the devastation in our manufacturing industry, in this com-

munity, is, while it may be replaced by some calculation of some numbers somebody does, for someone who's born and raised here—I drive through this community and I'm just shocked to see the devastation. Frankly, to drive down King Street in Kitchener-Waterloo is really quite devastating when I think back to what this community used to be. Having said that, I think that energy pricing plays a major role in our manufacturing base in this province. Until the government comes to terms with their pricing issues there, all of us will suffer.

We have a whole section in here on P3s and privatization. I can assure you this is an issue you will hear a lot more about in the coming months and years if the government continues to move down this path, which it appears they're committed to. I'm quite disappointed that the government clearly said they were going to oppose P3s. When the Tories were in power, they were very clear. I actually have a letter from Dalton McGuinty that points out the fact that they're more expensive. They are more expensive, they move control of delivering services away from government off to the private sector and they are incredibly inefficient in terms of using taxpayers' money. I would ask the government to seriously take a look at this model and move towards the role that government can play in rebuilding our infrastructure.

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Again, I think we will have lots of time to talk about the impact of this model of pricing and building our infrastructure, but I really expected the Liberal government to not follow the Tories down this road. However, you have, and I think it will probably be one of the most central issues in the next provincial election campaign. So while you may have ducked it in the last one, I think it will be an issue in the coming election.

Finally, because I'm probably running out of time—

The Chair: You have about three minutes left.

Mr. Samuelson: Okay. We've put a section in here where we've done some research around poverty and homelessness. Interestingly enough, today the minimum wage increases by 30 cents, and I will in no uncertain terms congratulate the government for in fact doing that. However, I will point out that that the minimum wage was frozen for eight long years under the previous government. I think to suggest that somehow you can just sort of pick up as if those eight years didn't exist for those workers is inconsistent with really taking a look at the big picture and what needs to happen. The reality is that we have a whole group of people, new Canadians and young Canadians, who are stringing together a series of part-time jobs on minimum wage in a workforce that is becoming increasingly contingent and part-time. I think a serious increase in minimum wage at the very least—one would think that the provincial politician who's in charge of setting the minimum wage would at the very least set it at the low-income cut-off amount of money, which would mean you would have to bring minimum wage up to around \$10.40 an hour or so. At the very least, you'd think that would be the reaction of a

government and, frankly, a politician who bear some responsibility.

Finally, you will note that we have provided you with some research that shows that after a few years of the new government, when you take into account inflation, we see that those people who are most vulnerable actually have not increased their position at all in the economy. I think that speaks to the inability of the government of the day to deal upfront with those people for whom it is so important to have the support of their government.

Thank you for your comments. I'd be pleased to answer any probing questions you may have.

The Chair: Thank you for the presentation. We begin this round with the government.

Mr. Wayne Arthurs (Pickering-Ajax-Uxbridge): Thank you, Mr. Samuelson. Welcome. It's a pleasure to have the president of the Ontario Federation of Labour here, particularly outlining some key issues, as you see them, on provincial policy and ongoing initiatives.

On the budget itself, though, obviously all the governments are challenged with their revenue and expense streams. If you had to prioritize two or three items that you would suggest we take as the most serious matters that we need to address most critically and most expeditiously, what might those be?

Mr. Samuelson: I think there would be a range of issues. Let me try and narrow a couple of them down. Again, on the spot, I'm not so sure I can tell you the three most important, but I'll tell you three that come to mind.

I think your government needs to move immediately to bring together the key players in the manufacturing-resource-based industries to take a look at what's going on in our economy before it's too late. I think if you don't, you're going to be going from one crisis to the next. I'm really quite disappointed in governments' at the very top levels dealing with this.

Clearly, I think your role as a provider of services after eight years of a government that didn't think it was their responsibility needs to be increased. So I think dealing upfront with things like ODSP, social assistance rates and minimum wage should be central to your government. Frankly, I think you should immediately get rid of this private sector investment in our infrastructure and move towards setting down the groundwork so that the government plays a role in borrowing money on markets at cheaper rates and rebuilding an economy that was devastated during those eight years.

In short, I think you would look at the most, dare I say it, hurtful policies of the previous government and, as you committed to when people chose change, actually move aggressively to change those things rather than sort of accepting that that period was there and then just ignoring it and trying to move forward.

The Chair: Now we'll move to the official opposition.

Mr. Hudak: Thank you, Mr. Samuelson, and Mr. Schenk as well, for your presentation today. I've got a bunch of questions. On the manufacturing side, you're

absolutely right. While there's good news on the technical side here in Waterloo, the regional manufacturing job losses are dramatic: Imperial Tobacco, 550 jobs; Automation Tooling, 169 in Cambridge; Sleeman, 40 job losses; ADV in Guelph, 280; 163 at Humpty Dumpty. I think any good economy needs a mix, and that heart is traditionally our manufacturing sector in Ontario.

The hydro policy, you'd mentioned, has dramatically impacted on the forest industry sector, which we heard about loud and clear in northern Ontario. Do you think the hydro policy, in a broad-based way, is impacting on manufacturing jobs, not just the forest sector?

Mr. Samuelson: Absolutely. You talk about those factories. Let me tell you about a few more in this community. Just down the street here there used to be a tire factory that employed 1,400 people. It was there for years and years. Five blocks this way there was another plant tied to the rubber industry, Marsland Engineering, 25 years ago. This community has completely restructured and, I'll tell you, as a person who was a young man here who left school and went to look for a job, I could go apply—and I did—to six plants, manufacturing facilities or meatpacking plants. I was lucky. The one I picked is still here. The other five are gone. There has been a complete restructuring, and I think we're going to see more to come.

Just down the road here in Cambridge there were over 5,000 people who worked in the textile and shoe industries; good, secure, high-paying union jobs, all gone. Shirt manufacturing: Arrow, Forsyth, all gone. So it has been a huge devastation over the last 15 years, 10 years, and I think you're going to see it increase dramatically.

One of the reasons we were able to bring a lot of these manufacturing industries to southwestern Ontario was our deliberate policy around pricing of hydro. I think as we move away from that, we are courting disaster.

Mr. Hudak: I have a quick question, if I could, on pensions. You mentioned 5.1 and Stelco's exemption. What other companies currently are you worried about? Secondly, on the public pension side, the OMERS bill has had some rough hearings this past week. Is it your view that OMERS can be amended and saved or should it be scrapped and started again?

Mr. Samuelson: Let me deal first of all with 5.1. The legislation actually provides for large companies they say will never be a problem; right? You know, Dofasco, General Motors; they'll never be in trouble. If they're that big, then they shouldn't have to worry about funding their plans. Maybe that was an argument that could have been put forward 10 or 15 years ago. It's not an argument one can put forward today. So any large company that took advantage of those provisions 10 or 15 years ago, maybe it didn't raise a lot of attention, but clearly the suggestion that those companies aren't in trouble today is a misplaced suggestion, and I think the government should move quickly to deal with that.

In regard to the OMERS, I can't believe how a government can mishandle an issue the way they've man-

aged to mishandle this; in fact, moving quickly to upset almost everybody in the system, which I think is just outrageous. Frankly, I think the principle of joint trusteeship of pension plans can be so powerful, it can be so good for workers, it can be so good for the government, and for whatever reason the government moved along and now they've just got everybody so upset. I think you're probably heading toward one of the biggest crises we've seen in this province in quite some time.

The Chair: Thank you.

Mr. Samuelson: Just one final point: Whether you can fix it or not, I don't know. I know one thing: The key players should be at a table talking about how they deal with it, because it's in everybody's interest to have a plan that works for everybody.

The Chair: Thank you, and now we'll move to Mr. Prue of the NDP.

Mr. Prue: I just want to comment that you've said something here which I've said repeatedly in the Legislature: that, surprisingly to many, the reality of the McGuinty government is that social assistance rates in real terms are lower today than when they took office. It needs to be said again and again and again. The poorest of the poor are actually worse off now than they were under Mike Harris.

I've read through this—and maybe it's somewhere else; I don't know—but you don't mention anything about the clawback, which I think is the most disgraceful thing the last government did and which this government continues. Any comments on the government's role in taking the money that the federal government gives to poor kids to bring them out of poverty?

1010

Mr. Samuelson: It's outrageous, and you're right, it's not in here, although I think we have spoken of it extensively in the past. I just want to commend you for your constant pressure on that issue. It's something I just cannot believe the government hasn't moved on. It's another example of a very obvious issue that's unfair and something that we all expected, I think—I think I expected the government to move on that, and I don't know why some of these incredibly effective backbenchers don't go to their government and say, "This is outrageous. This is embarrassing." I'm just shocked that the situation still exists, especially when you have so effectively made this story and the situation real in the Ontario Legislature.

Mr. Prue: Of course, if the government was to allow these poor children to keep their money, they would have to find money somewhere else. We had the chamber of commerce, and I'm sorry if I was a little bit tough on them, saying, "Reduce our taxes. Make all this easy." There are many people who think that in order to alleviate poverty the government is going to have to do something they don't want to do and possibly raise taxes. What's your view on this?

Mr. Samuelson: I think we need to build this province. We went through extensive tax cuts over a long period of time. They were far too extensive, and I think

they've had an impact. I don't think you can have it both ways. I don't think you can say that you want to rebuild and restore some of these services without having some kind of an increase in what people pay.

Now, I guess the government is hoping that over time, with the growth in the economy, they'll kind of grow out of the dilemma. However, in the meantime, the poor kids you talk about are impacted and so are the people who depend on government services.

The Chair: Thank you for your presentation before the committee.

KIDSABILITY CENTRE FOR CHILD DEVELOPMENT

The Chair: I call on KidsAbility child treatment centre to please come forward. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Alex Brown: Sure. My name is Alex Brown. I am the volunteer board chair at KidsAbility.

Mr. Stephen Swatridge: My name is Stephen Swatridge. I'm the CEO of KidsAbility.

Mr. Brown: Okay, charge ahead?

The Chair: You may begin.

Mr. Brown: Does everybody have our presentation in front of them? They do, that's good. We're just going to work our way through these 10 slides.

Let me first say thank you very much for allowing us to appear before you today and tell our story and give you an appreciation for what some of our challenges are. In the next 10 minutes, we plan on telling you a little bit about who we are as an organization and what we do; talk about some of our financial challenges as an organization; why we think our challenges are a big deal, worthy of your attention; what we've done to solve some of those challenges; how you can help both from a provincial point of view but also from a local Waterloo and Wellington perspective; and also why we think it's a win-win, why it makes sense for the province, why it makes sense for the communities in which we operate, why it makes sense for the families that are our clients.

Moving on to slide 3, who we are and what we do: KidsAbility is one of 22 child treatment centres within the province, and collectively in the course of a year we would deal with 40,000 kids around the province. We treat disabled children. We treat children who have a variety of diagnoses. We talk about premature babies. An awful lot of the miracle babies you hear about, who would come out of Sick Kids or McMaster who are from parents within this community, would end up at our organization as soon as they graduate from Sick Kids or Mac. We deal with kids who can't talk, kids who can't walk, and we increasingly deal with children with complex medical syndromes, meaning they've got lots of different things that aren't working as well as they should. But really, when you get beyond the medical

diagnoses, what we do is get kids ready for success in school, success in life. We integrate them into the communities in which they live.

So what are our challenges? Well, clearly we've got all kinds of clinical challenges, but fortunately we've got all kinds of really skilled people to deal with the clinical challenges that our clients have. What we'll talk about today is our financial challenges. If I look at KidsAbility particularly, we deal every year with 3,500 kids, both within the region of Waterloo and Wellington county. We have buildings in Waterloo, in Cambridge, in Guelph and in Fergus, but increasingly we do lots of outreach as well, which means our professionals go out into the communities and work with kids within the community.

The current wait-list at our organization is 1,181 kids. Those are individual kids with their noses pressed up against our window, saying, "We'd like to get in." That compares to 1,046 a year ago. I'm just doing the quick math: That's about a 13% increase over the last year. The average wait time within our communities where we work is nine months. A year ago, that number was six months, and that number is two to three times the provincial average. We do lots of statistical comparisons between ourselves and the child treatment centres around the province, so we've got pretty good numbers that say that our wait-list locally is three times the average. The average age of these kids is three: three years old.

Just moving on, you say, "What's the big deal? Why does that really matter?" Really, we could borrow an awful lot from the province's Best Start website, because an awful lot of what we think is really important is what you, the province, think is really important. It really all comes down to the ounce of prevention. On the website, you quote McCain and Mustard, and it's worth my while just repeating this: "The early years, from conception to age six, have the most influence of any time in the life cycle on brain development and subsequent learning behaviours and health." That says it all. Get to kids early and we can have all kinds of impact. Get to them later and the impact isn't nearly as large.

Really, what we're doing in the way of prevention is we're preventing costs to the school system; we're preventing costs to the health system. We would be delighted if you invited us back—we could even come back this afternoon—with some school officials and some health officials who would very much vouch for that view that what we do is to save them money.

What we've done about it: We don't just tell you people that we need more money. What we've done is a bunch of stuff ourselves. For example, we take the resources that we have, which are typically fixed resources, and we increasingly spread them over more kids, so each child that we see gets less of our time and really comes to see us less frequently. We're taking that and we're spreading that fixed resource over more kids. Left to our own devices, we'd rather not do that.

Clearly, we've implemented a lot of process efficiencies in terms of how we deal with kids. We manage our wait-lists to be as productive as we possibly can. We

use paraprofessionals far more than we've ever used before, as opposed to the occupational therapists and lots of other professionals we have on staff. And clearly what we spend on administration continues to go down, down, down.

How can you help us? From a provincial point of view, what it costs to deal with one of the children that we or our peer organizations around the province deal with is about \$2,500 a year, which in the overall scheme of things is not a great deal of money. We've got a wait-list, collectively, around the province of about 9,000 kids. You do the math, and \$20 million a year deals with this issue. It eliminates the wait-list. If you say, "Okay, we can't afford to eliminate the wait-list," we'll give you a number for a three-month waitlist, and that's \$14 million, even less. If we, throughout the province, gave these kids a three-month wait-list, it would cost \$14 million.

Now, if we look locally—and locally, as I said, we deal within the region of Waterloo and the county of Wellington—we've got collectively 1,100 kids on the wait-list and we use the number of \$2,000 per year, so again, \$2.2 million. Just to give you a little perspective, that's 0.4% of what the province spends on hospitals within the communities in which we work, and we don't say that in any way to compare what we do to what the hospitals do. We're just saying that gives you a sense of perspective, that what we're looking for is not a great deal of money. If we reduce the average wait to three months, we've got a cost of \$1.5 million.

Again, keeping in mind that what we're talking about here is prevention, the expenditure of these very limited amounts of money would certainly reduce the costs to the health system. It would reduce costs to the education system.

1020

We also get to talk—Stephen far more than I—to families. We could have brought in a family here and told you about the challenge it is for a family who realizes that their baby has something that doesn't quite work as well as it should. That baby, at six months old, comes into our organization and gets diagnosed as having some real challenges, and then they are told, "You're going to have to wait nine months to deal with that." You've got a family that is just hugely, hugely stressed over the challenges that they have with their new baby, and then they get told to go away and come back in nine months. That just doesn't cut it.

So we think this is a win-win for you people, the government, the province, to deal with this, this huge leverage for a really small expenditure of money here. We're talking about a small investment in prevention just paying so much in the way of return. We can be really hard about it and say that it's financial returns in the way of less impact on the health system and on the education system, but it's also impact on kids. It's impact on the families of those kids. The impact is just so substantial.

It's also a win-win because we're aware at KidsAbility of the kind of arrangements the government has gotten involved in with hospitals in terms of wait-list manage-

ment, in terms of accountability arrangements. We would be only too pleased to contract with the province that we and our peer organizations throughout the province would deal with X kids at a reimbursement of Y dollars per child, and we guarantee you that we would deal with those kids; that we would deal with those waiting lists. Everything that applies in the arrangements between the hospitals and the Ministry of Health and Long-Term Care—bingo—really applies to what we're talking about here.

The Chair: You have about a minute left for your presentation.

Mr. Brown: I've got one slide, so we're cooking.

Our mission/your mission: Our mission for years is "potential realized," potential realized for those kids. Your mission on Best Start is very much the same. You want it, through Best Start, to apply to all kids. All we want is for it to apply to the kids we deal with.

Final slides: the Reader's Digest summary of what's going on here. You people are going to see a whole bunch of paper today, and you've seen a bunch of paper. If you look at one slide, this is it:

—Early intervention is key.

—It's a small investment per child.

—9,000 kids on the waiting list.

Twenty million dollars looks after the challenges we're talking about. Basically, \$20 million, and there's a huge impact for the province and for the children in the province, particularly disabled children. Thanks very much.

The Chair: Thank you. We'll begin this round of questioning with the official opposition.

Mrs. Witmer: Thank you very much, Mr. Brown and Mr. Swatridge, for your presentation. I would just say to my colleagues, I don't know whether you have a children's treatment centre in your community, but we are really blessed. We have an outstanding centre here, and they have done outstanding work. I've been familiar with the work of the centre since I was a trustee on the school board here.

If the government is really, really keen on doing all they can to prevent children from suffering educational and health problems later in life, this is a very, very small investment that we can make before children go to school. I would just encourage the government members to seriously consider the investment that is being asked for: basically, \$20 million a year.

I'm concerned because the number of children who require support is growing. I guess as a result of more and more children surviving, we have more and more children with needs. This is an area where we do need help. They do a fantastic job at KidsAbility. I appreciate, Mr. Brown, that you've said, "If you can't give us everything, you can give us a part and reduce the waiting list to three months." But what happens when a child has to wait nine months? What's the impact on that family?

Mr. Swatridge: Apart from the fact that a tremendous amount of the potential of that child is jeopardized, the families that come to us, by and large, are devastated by

the diagnosis that's made for their child. They're going through a period of anger and grieving, and they are looking for answers and for help. So to be told, "Yes, we can confirm that your child has a significant problem, but you need to come back in nine months before we can see you," is devastating for the family.

We spoke a couple of days ago with another MPP. The mom who was with us said that when the diagnosis was made and it was explained to her, she couldn't stop crying for weeks at a time just because of the grieving. So much is put into the hopes and dreams for everyone's child, and to be told that those won't be realized is devastating.

The Chair: Thank you. Now we'll move to Mr. Prue of the NDP.

Mr. Prue: Just a fast question first: You used the word, "paraprofessional." When I see "paralegal," that's someone who's not legally trained who acts like a lawyer. What is the paraprofessional that you wrote down there? Is that a professional who's not trained?

Mr. Swatridge: Most of the staff at children's treatment centres are university-trained for five or six years; they're licensed and they come under their respective colleges, like a physiotherapist or a speech and language pathologist. On the other hand, paraprofessionals are generally trained at the community colleges. We use two examples: Locally, Conestoga College produces paraprofessionals who are therapy assistants and are paid less and are less qualified, and we can therefore get better use out of the dollars we—

Mr. Prue: Okay. I understand now. So it's not just somebody who hangs out a shingle; they have training in a community college to do what they do.

Mr. Swatridge: They are very well trained for what they—

Mr. Brown: They have credentials.

Mr. Prue: They have credentials, okay.

The issue of autism: Do you have kids who are autistic? This issue about how to deal with autistic children is raised in the Legislature every week, and there doesn't seem to be any money for them. Can you deal with them or is that beyond your scope?

Mr. Swatridge: Ten years ago, children's treatment centres tended not to see children with autism. In the case of KidsAbility locally, there are approximately 160 to 165 children with that diagnosis on our case load. About a third to a quarter of those would be children who are served through that specialized IBI training, which is very expensive and home-based, and the others would be given service through our children's centre and a combination of occupational therapy, speech pathology, psychology and social work, which typically is the team that works with those children.

Mr. Prue: My last question is about Best Start. You're asking for \$20 million: Are you asking that the \$20 million be taken from the Best Start budget or are you asking that this \$20 million come from some new pot or from some different area and leave the Best Start

where it is? I wasn't clear where you were heading with that.

Mr. Swatridge: I think we're simply saying that for an investment of \$20 million, 9,000 children the average age of three years old would receive service immediately across the province. Where that money comes from is an issue for the government to make a decision about.

The Chair: Thank you. Now we'll move to the government.

Mr. Milloy: Thank you for your presentation. I too want to congratulate KidsAbility for the fine work it does in our community.

I wanted to spend a moment comparing KidsAbility to the rest of the province's children's treatment centres and ask a multi-part question. First of all, how do the Waterloo-Wellington waiting lists compare to other parts of the province? My understanding is that it is larger, so for what sort of reasons do you see that happening? Then, finally, just the issue of wait-lists and the comparisons, because there have been critics who have said a parent will put the same child on three or four or five different wait-lists and in fact they're inadvertently inflated. I just wonder how you calculate that.

Mr. Swatridge: I'll try to answer. On the first question, KidsAbility has a wait-list of 1,181 children; provincially, that number is 9,000. In rough terms, Waterloo-Wellington has about 5% of the provincial population and about 11% of the wait-list. Why is that so? There are a number of reasons for that: (1) Waterloo and Wellington are both significantly growing areas in terms of population; (2) our communities do an excellent job of identifying children at a very early age; (3) we don't have a teaching or a children's hospital with all the resources, some of which apply to children with special needs that we deal with. Lastly, we've taken the attitude in this organization that we will be as inclusive as we can, and therefore we've taken on a number of new diagnostic groups of children—children with autism being one excellent example.

I think there was a third question that just escapes me.

1030

Mr. Milloy: Just about the accuracy of the waiting lists, in the sense of parents putting children on multiple waiting lists.

Mr. Swatridge: I'll just take a step back and say that the government set up children's treatment centres 40 and 50 years ago to be the specialized resource for children with this type of health care problem. They wanted to have the expertise and the knowledge based in that one organization. Therefore, in a sense, children's treatment centres have a monopoly for that niche population. So there are not children on our wait-list who are on a wait-list in some other community, or for some other organization. So if you asked us today to line up 1,181 three-year-olds with their moms and dads, we could do that and tell you with certainty that they're not on other wait-lists waiting for other organizations to serve them.

The Chair: Thank you for your presentation.

COUNCIL OF ONTARIO CONSTRUCTION ASSOCIATIONS

The Chair: I call on the Council of Ontario Construction Associations to come forward, please. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. David Frame: Thank you, Mr. Chair. We are the Council of Ontario Construction Associations, as you've said. We prefer to go by COCA; it's a little bit shorter name. We encourage you to use that as the identifier for our organization. My name is David Frame. I'm the president of COCA. With me is Doug DeRabbie, who is our vice-president of policy and government relations. We've got a short presentation. I'm going to talk to you a little bit about the industry for four or five minutes, and Doug will talk to you about some of our issues.

COCA's been serving the construction industry in Ontario since 1975. We were created as a forum for views of contractors across the province, a means to synthesize those views and a vehicle to carry them to Queen's Park. Through our 37 member associations, COCA represents an industry that touches the daily lives of Ontarians in every corner of the province. Our mission is to help the Ontario construction industry grow and prosper, by promoting the value and image of the industry to governments, businesses, contractors and the media. COCA is a not-for-profit, industry-funded association, whose more than 10,400 member companies are involved in all areas of construction, largely the building of roads, sewers, skyscrapers, bridges, factories, schools, hospitals, commercial buildings and so on, commonly referred to as the ICI and heavy civil sectors of the industry.

The construction industry is, without question, one of the most competitive and vibrant sectors of the economy. Nationally, it produces \$123 billion annually in goods and services. With over one million workers and close to 270,000 contractors, the industry is responsible for maintaining and repairing over \$5 trillion in assets. In addition, construction trains close to 60% of all apprentices in Ontario.

Provincially, the construction industry accounts for 5.2% of Ontario's GDP. Over the first nine months of 2005, the value of non-residential building permits in Ontario was up 12.1% from the same period last year. Moreover, construction has a very high multiplier effect on the economy. Essentially, it's three to one: \$1 million of construction is \$3 million in related activity.

In terms of employment, the construction sector is experiencing robust growth of 7.6% on an annual basis. This trend resulted in almost 28,000 new construction jobs in 2005. In addition, there are about 20,000 apprentices.

While many high-profile contractors are big businesses, construction is essentially a small business sector. What is truly significant is that the construction sector has emerged as a bellwether employment generator

among small businesses. According to a recent report by Scotiabank, construction was the largest contributor to the new positions in Ontario small business from 2000 to 2004. Specifically, construction accounted for 31% of that growth over that time period.

When considering businesses with a payroll and a fixed address, the construction industry has the third-largest number of business establishments in Ontario. When including all businesses, it is actually Ontario's second-largest industry.

Construction is also one of Ontario's largest employers. Construction employment represents 6% of the province's total labour force, directly employing almost 400,000 Ontarians. Indeed, contributions made by the construction sector are felt in every corner of the province and affect the lives of all of us.

Taking a look at the economic review and outlook, in 2005 investment in non-residential construction across Canada surpassed the \$30-billion mark for the first time ever, due in large part to huge gains in Alberta and British Columbia. Statistics Canada data indicate that investment in commercial, industrial and institutional projects reached more than \$31 billion last year, a 7.7% increase. It was the fifth consecutive record high for the industry. Increases in industrial and commercial investments have offset a decline in the institutional sector. In the last five years, non-residential investment in Canada has increased at an annual rate of 6.4%, going from a level of \$23 billion to \$31 billion.

In Ontario, 2005 was a year of accelerated pace of public sector building, substantial infrastructure upgrades and a renewed pickup in business in non-residential construction. According to a recent report from Scotiabank, the strength of construction activity from both an output and an employment perspective has been an important stabilizing factor, helping to compensate for the slower pace of manufacturing activity. In addition, there are a number of major construction projects, such as energy-related business spending and infrastructure-related government expenditures, to keep construction at or close to the top of the economy's performance ladder.

For 2006, it is anticipated that non-residential construction will take over from residential as the engine driving growth in the industry. Indeed, the non-residential construction sector has been slowly but steadily gaining momentum. According to the construction sector, non-residential investment in real dollars is expected to increase by 7.4% this year and 9.4% in 2007. Following 2007, it is anticipated that investment will continue to grow, but at a more moderate pace.

Continued low interest rates in 2006 will benefit the industry; however, contractors may have to contend with more widespread wage and cost pressures. More significant increases in the costs of industrial materials and wages would impose an added challenge to builders already facing high energy costs, rising property taxes and other municipal fees. Should energy prices increase dramatically, heavy industrial users will be hard hit, particularly those in rural and remote communities. The

availability of skilled labour will also continue to be part of the challenge for the industry.

I'll now ask Doug DeRabbie to make some of our recommendations to you.

Mr. Doug DeRabbie: Thank you, David. Moving on to some general fiscal policy advice, contractors are certainly encouraged by the finance minister's commitment to being prudent, focused and disciplined in managing the province's finances. They are also appreciative of the government's commitment to making essential investments in areas such as public infrastructure. However, contractors are concerned that while they should be enjoying the benefits of a stronger economy, they are instead struggling with a rash of government decisions that are hindering their ability to remain competitive, such as increases in energy prices, increases in WSIB costs and increases in red tape. If Ontario is to experience a new generation of economic growth, then it must begin to improve its performance of the past two years.

When the finance minister appeared before the committee in December of last year, he outlined a list of questions that had been used to frame his pre-budget consultations and suggested that these questions might be useful for the committee during its pre-budget consultations. We believe that the proposals we are bringing forward today address these questions by helping to create a new generation of economic growth, by providing an alternative solution to cutting spending in some areas in order to increase spending in others, and by further improving fiscal transparency and accountability.

1040

In order for these proposals to have a positive impact, the government has to lay the necessary foundation. COCA and its members believe that one of the most important roles the Ontario government must play in encouraging growth is to balance the budget as soon as possible. Ontarians have made it clear that they expect the government to live within its means. A failure to do so, either through raising taxes or running consecutive deficit budgets, would raise concerns about the overall economic and fiscal competence of the government.

So we are recommending that the province work to balance the budget as soon as possible. We are also recommending that the province examine ways to further stabilize spending and concentrate on removing frustrations and impediments to business and economic growth.

In terms of specific recommendations, the big issue we would like to focus on today is that of the underground economy. The province of Ontario has lost hundreds of millions of dollars to the underground economy in construction each year for well over a decade. The total amount lost over the past 10 years is not known, but it can only be in the billions by the end of this fiscal year. On an annual basis, the Ontario Construction Secretariat conservatively estimates that the underground economy is costing the Ontario government and its public agencies \$1.5 billion a year.

Our concerns have their base in the fact that there are huge gaps in WSIB coverage in the construction industry. According to Statistics Canada, there are almost 100,000 companies engaged in construction in Ontario, but the WSIB has records for only about 45,000. The problem, as identified by John O'Grady of Prism Economics and Analysis, is the incredibly large number of workers who call themselves "independent operators" who are not required to pay into WSIB coffers. It is not at all clear how much income these so-called independent operators declare for tax purposes, but it is clear that Ontario loses. Ontario also loses employers' health tax revenue.

As Mr. O'Grady's work clearly establishes, companies in the underground economy have a huge economic advantage over law-abiding contractors. They can achieve savings of more than 40% in terms of bidding. These companies are therefore able to have higher profits, giving them the ability to outbid contractors who are in compliance. This, in turn, encourages others to join the underground economy. Re-establishing equity in the construction industry will have the added effect of restoring lost income to the province's coffers.

The Chair: You have about a minute left for your presentation.

Mr. DeRabbie: Great. Thank you.

COCA is therefore recommending that the Ministry of Finance launch a full-scale investigation and attack on the underground economy, perhaps sector by sector, starting with construction. For our part, COCA can promise full co-operation, and we know our allies in the industry will do the same. We believe that action by the government will produce a win-win result. As such, we are recommending that the government launch a full-scale investigation and attack on the underground economy, starting with the construction sector.

In closing, I'll note that there are other items that we have raised in our submission to you regarding independent operators, the Construction Lien Act and public infrastructure renewal. We hope that you will give serious consideration to all of these items as you prepare your pre-budget report.

Thank you again for your time today, and we welcome your questions.

The Chair: Thank you for your submission. This round of questioning will begin with the NDP.

Mr. Prue: Your major thing is the attack on the underground economy. How much is that estimated at? How much is the government estimated to lose from construction in the underground economy in terms of taxation? What are we looking at here?

Mr. Frame: The most recent number we have—and it's a couple of years old—is that the province loses \$1.5 billion. We believe that's conservative.

Mr. Prue: Okay. So that's \$1.5 billion in extra revenue they would get through taxation.

Mr. Frame: Exactly.

Mr. Prue: What would it cost them to get this extra \$1.5 billion in terms of policing or other things? There must be some costs.

Mr. Frame: Obviously the more of it you collect, the harder it becomes as you go up the ladder. One example we have to bring is, we had a similar problem with the Workplace Safety and Insurance Board. They had two people who were working in the underground economy, and they were bringing in about \$3 million to \$4 million a year. We convinced them to hire 15 people, and when they did that, they brought in about \$35 million. This is money that otherwise wouldn't come into the system. So that's about a 20-to-1 ratio or something like that; 25 to 1. So I think it's a pretty good investment.

Mr. Prue: It sounds great to me. Okay. You were also talking about skilled trades. I only get three minutes. Are you looking at that from immigration, because years ago, people came in under the skilled trades category in great numbers, and they seem to have fallen off because, the way the points structure works, it gives more points for education than abilities. Are you looking to have the federal government change those points to allow skilled trades and people with, I guess, less education into the country?

Mr. Frame: Not specifically. We don't deal directly with the federal government; the Canadian Construction Association does. Our first priority is to recruit Canadians into the skilled trades. They're good jobs. There are excellent jobs out there and people can earn a very good living.

The Chair: Now we'll move to the government.

Mr. Wilkinson: It's good to see you again, David. Thanks so much for coming to see us in Kitchener.

The first observation: I know many sectors of the economy would like to be growing at 7.4% or 7.6%, so you are a tremendous success story. I know that you appreciate our infrastructure investments, which are sustaining the industry. You mentioned the problem; we're trying to have better conditions. I know my colleague beside me, the member for Huron-Bruce, is on the small-business agency that we've created to help with those very issues.

What I wanted to focus in on today was the section you had about amendments to the Construction Lien Act. That's the first time we've seen that. We had a previous submission about getting a definition for independent operator to be the same as Canada Revenue Agency so that there is equity there. That would also help to streamline it so we get some clarity. None of us is for the underground economy. We taxpayers shouldn't be subsidizing people who are avoiding paying their legitimate taxes. But just on the Construction Lien Act, could you help us understand what you need on that to try to improve things for you?

Mr. Frame: We have it in more detail inside here and I don't think we have the time to go into it right now.

Mr. Wilkinson: Just about the 10% holdback: There seems to be some question about who that applies to.

Mr. Frame: Essentially, the issue is this: The act doesn't always work as it's intended to work because, basically, to take action on it you've got to go to court. We are asking for a few changes to be made to make it

act more as it was. Basically, we want the 10% to be a real trust. We want it to be held in an actual bank account and we want timely release at certain periods after the job is finished, in order to release the lien rights—

Mr. Wilkinson: You're saying that some people are using that punitively. The people who are paying you are holding back that 10% and saying, "We're just going to hold it back for as long as we can and keep it in our bank account," and then you have to go to court to get it back, even though you've done the work and you've satisfied everybody. They need that clarity.

Mr. Frame: That's not uncommon.

Mr. Wilkinson: You need to make sure you get paid. When the work is done, you've got to get paid and they can't use this other act. So amendments would help clarify that, do you think? What ministry does that fall under?

Mr. Frame: That's under the Attorney General.

Mr. Wilkinson: That helps us a great deal. Thank you.

The Chair: Now we'll move to the official opposition.

Mr. Hudak: Thanks very much for the presentation on behalf of COCA. You make a good point at the beginning in terms of making sure the province balances its budget as soon as possible. In fact, if they had stuck with their 2004-05 budget, given the increase in revenue that Ontario has experienced this fiscal year, we'd actually be in a surplus this year. Instead, for every dollar they receive, they increase spending by even more.

There are also suggestions that currently the province has experienced another windfall in revenue, more than the government predicted it would receive. Do you think that should be put towards balancing the books, tax reductions or increased spending? What's the priority?

Mr. Frame: I think we've indicated our priorities there. We very much do support the infrastructure program of the government. It's excellent that there's a long-term commitment to reinvesting in that in Ontario. We recognize that that requires dollars. But, as we said, we need economic prudence. As soon as it's possible to balance the books, that obviously should be done to take pressure off the taxpayer.

Mr. Hudak: You highlight the WSIB, and one of your main concerns is the increase in WSIB costs. How much have they gone up in the last couple of years? To what degree do you attribute that to the lack of capturing the underground economy?

Mr. Frame: Oh, it's huge. We project that the construction WSIB rates would go down by about 20% if the whole industry was in. Right now, only 61% of the industry is covered by WSIB, even though construction is required coverage under the act, and it's essentially underground economy and independent operators. We had a 5.3% increase this year to the construction industry when, potentially, there could have been decreases and better coverage for the industry, better coverage for our workers.

Mr. Hudak: With respect to the Construction Lien Act my colleague is asking about, is there a model jurisdiction that you think Ontario should emulate?

Mr. Frame: Ontario is not bad. We're just asking for some amendments to make it perform the way it was intended to. The act is 25 years old now and it needs a tune-up.

The Chair: Thank you for your presentation.

1050

INTERFAITH SOCIAL ASSISTANCE REFORM COALITION

The Chair: I call on the Interfaith Social Assistance Reform Coalition to please come forward. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Rev. Brice Balmer: We are the Interfaith Social Assistance Reform Coalition. My name is Brice Balmer. I am a Mennonite pastor and chaplain here in the Waterloo region. I'm the secretary of ISARC. Susan Eagle is our chairperson. Susan is a United Church pastor in London, Ontario. Jeffrey Brown is a Unitarian pastor in Mississauga and also works with the University of Toronto as one of the chaplains.

This year, Interfaith Social Assistance Reform Coalition is celebrating 20 years. We began as a part of the Social Assistance Review Commission in 1986, when the Liberal government then and John Sweeney's office asked for a religious perspective on some of the social welfare changes and the findings that were produced in the Transitions report. We have been working with provincial governments ever since that time. We advocate primarily in areas of hunger, homelessness, affordable housing, poverty, especially working poor and people on social assistance, children, disability and refugees, some of the most marginalized. Each of you should have previously received a book, which is the social audit of Ontario that was done in 2003-04, called *Lives in the Balance: Ontario's Social Audit*. I know each of you received them because we hand-delivered them.

We're not going to read through this. We are using the social determinants of health as a way of looking at what the government is doing. We're very glad that in its Liberal platform book, number 5 says, "The goal of government is to have Ontarians become the healthiest people in Canada." When we look at the social determinants of health, we struggle with that a bit because there are some very important social determinants of health that are not being met currently, especially for the most marginalized in our province.

We are very supportive of the Best Start and Early Years programs. We feel that they are doing a wonderful job for the children from zero to six, but we are concerned that there are two important social ingredients of health that are not being met and, therefore, in a sense deteriorate what those programs actually do. The two

programs that we're most concerned about: (1) Income security for both the working poor and people on social assistance have not kept up with inflation. In fact, we're even lower than we were when the provincial Conservatives were in power in terms of social assistance rates. (2) We have the whole predicament here that you can't pay the rent and feed the kids, and the public health departments of many of our regions have come through, saying, "It's no longer possible to pay the rent and feed the kids."

We would urge the provincial government to continue its investment in children and parents. But, in addition, we would request that the provincial government end the NCB clawback and/or increase ODSP and OW monthly payments so that parents can provide appropriate housing and a nutritious diet for themselves and their children, or some of these other programs really lose their effectiveness.

Rev. Susan Eagle: I'm going to speak to the affordable housing issue. We note that the government has said, "We will provide direct assistance to the families in greatest need of housing help through a housing allowance program." I serve not only with ISARC but also as a city councillor. I'm part of the Ontario municipalities group that sits at the table with the province in working out the details of the housing program that is soon to be released and announced.

The amounts for the program were announced last spring, when the federal government signed an agreement with the province for \$300 million, both parties. In that is a housing allowance program, which is primarily federal funds. One of the big concerns we have is the in situ regulation that will be part of that program, which will require that tenants relocate in order to avail themselves of the housing allowance program. You'll see in our notes here that we feel it has an adverse effect, not only on tenants but also on landlords, as well as the short timeline of five years, as well as the fact that it's a minimum, a very, very shallow subsidy.

The other parts of the program—the new affordable housing and the home ownership—seem riddled with regulations that are creating hurdles for municipalities and for those housing partners at the local level who want to be part of the program. It creates a tension around the commitment that the government has made about being back in the housing business.

So the recommendations that we make to you today are, first of all, that there be a review of the rules and regulations that are being enacted now around the federal-provincial agreement and the way in which it's going to flow out to municipalities. We also are recommending that the provincial government not put in its part of the money over a 20-year period; \$300 million that's to be provided over 20 years makes it difficult for that program to be realistic. As well, we note that there is no money for new programs if the government spreads its commitment over 20 years in terms of paying for that \$300 million.

Those would be recommendations we make, and we certainly hope there will be new dollars in the budget this

year in addition to the \$300 million that was committed last year.

Rev. Jeffrey Brown: As Brice indicated, there are two general areas. One is the issue of affordable housing, which Susan has spoken about. The other is income adequacy. That shows up in a variety of ways, one of which is in terms of families where there is domestic violence, domestic abuse, and the inadequacy, again, of the supports out there for spouses, parents, who are fleeing those situations. There is the ability to go to the head of housing lists for those in domestic violence situations, but beyond that, there really is not the support, whether income or other kinds of supports, to make that decision really, truly available to individuals who are trying to escape from abusive situations and relationships.

And that is but a piece of the larger issue, which is that the income supports and the other kinds of supports out there for individuals on social assistance are not adequate to the task. As Brice had said, individuals and families that are on social assistance at this point are worse off now than they have been at any point in the past 10 years. Yes, a cost-of-living adjustment was made, but that did not keep up with the rate of inflation; in fact, if you look, people on social assistance are not doing as well.

The sense we have is that currently the provincial government is acting a little bit like the captain of a ship that has been struck by an iceberg, just pushing deck chairs around on the deck. There have been no real resources added to what was an impossible situation previously. We've talked now for the past decade—longer—about pushing for individuals and families to become more fiscally independent, and then in fact what we've done is to remove the various supports that would be there to help people become more self-sustaining. So what we're recommending is that the province raise social assistance levels and that we provide more resources—that is, more training programs—to help individuals out in this situation.

1100

The Chair: That completes your presentation? Very good. This rotation begins with the government.

Mr. Milloy: I'd like to thank the presenters for coming forward. I want to focus for a second on point 4 in your presentation, "Making Workfare Work," which I don't think you had a chance to get into detail on in your presentation. I think all of us are frustrated by the fact that the goals that are always stated of so many social assistance programs are transitional goals—to move someone from social assistance to the workforce—and yet at the same time they have built-in impediments. I just wanted to ask you to take a few minutes and outline how you see the situation and the sort of things the government could be doing to remove those impediments.

Rev. Balmer: We know that the provincial government is working with the federal government and that some programs are going to be transferred over to provincial jurisdiction. It would seem to some of us that that's an opportunity for you to allow more people on social

assistance to take advantage of benefits like—it blows my mind that EI has unbelievable benefits to help people get to work, and OW, with workfare and ODSP, have almost no benefits and that the ODSP/OW people can't get into the EI to get the benefits they need. Some of us are very concerned that that happened.

The other thing we're very concerned about is that the levels are so low for people on ODSP and OW that they have to give up all their financial equity in order to get on the OW and ODSP program. We've been talking with some of the people with the Ontario Federation of Labour. A good example for us, because we're concerned about the whole province, would be the foresters who are going to lose their jobs now, but before they can get onto welfare they have to go way down to \$2,000, or \$5,000 if they're on ODSP, which means they give up the majority of their equity, which means that when they're old people they're going to need much more money from the government to sustain themselves. They're going to need affordable housing, they're going to need extra benefits, etc., etc.

What we're doing with these OW and ODSP programs around the working poor is that we're making people poor forever. Some of us are very, very upset about it. It doesn't get you back into a job, and second of all, it takes away all your financial equity and then you stay poor forever. It's really a double whammy for some of the people who lose their job just because of the nature of work in our province right now.

The Chair: Now we'll move to the official opposition.

Mrs. Witmer: Thank you very much for your presentation. Usually we see you in Toronto. It's great to have you here in Kitchener-Waterloo. We see Brice, but we don't see you, Susan and Jeffrey.

I appreciate that you did put it within the context of the social determinants of health. More and more, I think people are recognizing the need to move forward on what is missing in the province. You talked about children. What are some of the things that you believe could be done immediately, in this budget and subsequent budgets, in order to ensure that our children do have the very best start in life?

Rev. Eagle: Let me just give you the first one, which is the clawback on the child benefit. We're appalled that that continues to exist. It absolutely needs to be done away with immediately. Income supports for children: Almost everything in our document has an impact on children. When parents can't find enough money to feed their kids, it certainly has an impact on the nutrition and development of children. When there aren't supports in place for proper child care—and we're not sure right now what's going to be happening with child care. Housing is critical, when children are moved around and yanked from place to place and in a shelter and back into temporary housing and somewhere else. All of those things have got to be dealt with if we're serious about doing something for children in our province. And it's in our own best interest to do it. We're talking about the next gener-

ation of people, who may or may not be productive in this community.

Mrs. Witmer: Thank you very much. Anybody else?

Rev. Balmer: We appreciate the commitment that the governments are making to the first six years of children—we know how important those are—but if you don't feed the kids, how can they take advantage of everything else that's going on? I know, in the programs that we work with here in Kitchener, this in situ thing that's in the document for housing allowance—I mean, our people have enough trouble just staying where they are and building bonds.

Some of us at House of Friendship, which works with marginalized people, have said that what's more frustrating is isolation. Poverty is certainly important and a critical issue that we need to address, but we can't make people even more isolated than they already are. A lot of the people that we work with are isolated, and that's the terrible crime.

Mrs. Witmer: How do you mean isolated, Brice?

Rev. Balmer: They don't have friends. They don't have family. Some of them are refugees. They've moved from place to place. Their kids don't have friends. There's not a cluster of people around them, so they come to our community centres and the food hamper program. And if they've changed schools several times, they end up really—it's amazing how isolated the people we work with are. We're trying to start to address that as a very significant issue. If people are going to move and move and move, how can these kids establish friendships? And how can the mothers and fathers deal with that network so they can even find the appropriate house that's available in that neighbourhood or somewhere else?

The Chair: Thank you. Now we'll move to Mr. Prue of the NDP.

Mr. Prue: In terms of housing, you talked a little bit today about new housing. We all know it's desperately, desperately needed, and that the number of housing units being built is very poor. Thank you for pointing out that it's only about a \$15-million-a-year commitment, if you do it over 20 years, to get to the amount.

I have a question too about the renewable, the housing that needs to be renewed. Most of the housing that was downloaded by the previous government to the municipalities is in an absolutely terrible state of repair. The city of Toronto is asking the province for \$242 million to bring it up to code. Of course, I don't know whether we're going to get that. In terms of the housing, we need the new stuff and we need the old stuff repaired. Where should this government be putting its priority in this budget?

Rev. Eagle: Let me start off on that, and I know my colleagues may want to join in on that too. We certainly, through ISARC, have identified housing as one of the most critical things that has to be put in place.

It was a few years ago that mayors of major municipalities declared that housing and homelessness was a crisis. If anything, the situation has simply gotten worse since then. The small amount of money that's been put

into housing and the marginal creation of housing has not kept up with the need that has continued to grow, so we are worse off. As to the downloaded housing, I know, wearing my municipal hat, that that's an issue for municipalities right across the province.

In terms of the in situ, and I do want to come back to that again—Brice has also referred to it—requiring that tenants move in order to avail themselves of a shallow subsidy is going to make it very, very difficult to administer this program. We've been told by our folks at the provincial level that it's part of the federal-provincial agreement and that it is a requirement that was signed between the province and the federal government. However, if there is a new federal government in place, perhaps they would be prepared to relieve or dismiss that part of the agreement or allow that change to happen. We think it would be very important to take that requirement out of the agreement.

Rev. Brown: The other piece, as far as that goes—all three of us are emphasizing just the degree to which the question of housing is also a question of stability. Each of us, in our own communities, experiences the need of people to move because they cannot either find or afford housing where they are. We notice that same thing in Mississauga.

There is a question that you're not quite getting at, Mike. You're talking essentially about the infrastructure of the buildings themselves, of the capital investment. The other thing that's happening—slowly, admittedly, but nonetheless it's happening—is that the amount of monies going towards subsidy is diminishing over these next 20 years too. One of the places that we find most difficulty is that there aren't the subsidies available for what we find is a large number of people who need more than shallow subsidies, which the capital funding is just getting at.

1110

The Chair: Thank you for your presentation.

Mr. Hudak: On a point of order, Mr. Chair: I just wanted to note for the record that the committee is honoured that, despite his attempts to hide his accent, Prime Minister Tony Blair has joined us here today. Do you get that from time to time?

Rev. Brown: Not that I know of.

Mr. Hudak: Really? I think you look just like him.

Rev. Brown: I'm not sure whether I feel insulted or not.

Mr. Hudak: It's your dignified presence before the committee.

Rev. Brown: I appreciate that.

The Chair: It's not a point of order, but it is a point of interest.

WATERLOO CATHOLIC DISTRICT SCHOOL BOARD

The Chair: I call on the Waterloo Catholic District School Board to come forward, please.

Ms. Dianne Moser: Good morning, and thank you for having us this morning. I'd like to introduce my colleagues from right to left. On my right is Roger Lawler, the director of education for the Waterloo Catholic District School Board. On my immediate left is Louise Ervin. We are very gifted in this particular area to have Louise, as she lives here and works with our board but has spent many years working across the province with the Ontario Catholic School Trustees' Association, and she is their immediate past chair. On my far left is Helen Mitchell, who is our chief financial officer.

The format of this presentation—we're not going to read you every sentence in the package, but I'm going to try to highlight a couple of areas. I'm going to focus first on introducing to you what is the Waterloo Catholic District School Board, who we serve and who we work with. We'll talk to you about what we presently value in the work of the existing government and then we'll talk to you about four very specific key concerns we have concerning our financial status in the future and how the government might assist us.

To let you know, we serve about 30,000 elementary and secondary school students across the region. You know that the region is the city of Kitchener, Cambridge, Waterloo and the townships of Wellesley, Woolwich, Wilmot and North Dumfries. We have about 2,500 full-time staff and 500 part-time people who work for us, and our budget runs at about \$200 million annually.

We are committed to the implementation of the government's education agenda. We believe that the school system and community have a responsibility to reach every student to ensure that students graduate as caring, contributing members of society, with the academic and social skills to transform the world.

To accomplish our work, we depend on our government as a true partner. I was sitting in the audience reflecting on how many times we engage in conversation as partners, partners with the folks you just listened to; I was lobbied in the parking lot by the KidsAbility people to just sort of loop them in. Our list of partnerships is long, but clearly our most important partner is the government. True partnership means providing both the human and non-human resources to enable school boards to accomplish both government and local priorities. To that end, we appreciate and give you credit for the investment government has made in the areas of textbooks and classroom resources, professional development for both teaching and non-teaching staff, reduction of the average class size, specialty teachers and staff to address learning to age 18. These investments are appreciated and will go far to address our common goals of improving student learning and ensuring that students graduate as contributing members of society.

However, we didn't come to focus just on what you've been able to accomplish. We have some very specific concerns. In particular, probably the most glaring and threatening to the conditions of our academic system in this region are the teacher salaries and benefits conditions, with reference to our budget. We, however, are

beginning to show trouble, and trouble is a direct result of the failure of governments past and present to fix the inherent problems associated with a funding model that goes back to 1998.

This past year, we, like many school boards, public and Catholic, used the last of our reserves to fund the provincial teacher salary framework that was negotiated between the minister and the teachers' federation. The result was to bring all teachers at an A4 max to \$76,000 and then to add 2%, 2%, 2.5% and 3% to ensure labour peace and stability to the end of the 2007-08 school year.

While we do indeed have labour peace, the price of the agreement is financial instability. It may be easy for the casual observer to point to school boards and say, "You have more money than you have ever had to address collective agreements." This is a simplistic argument that ignores a salient fact that much, if not most, of the new investment in education has either been outside the funding model or in areas outside key salary benchmarks. As will be pointed out in more detail, previous and current governments have not recognized the current salary benchmarks that were enshrined in 1998. These benchmarks are out of date and simply don't recognize the fiscal realities of the year 2006, almost a decade later. By way of illustration, how much gasoline would one dollar buy in 1998 versus today?

The result for the Waterloo Catholic District School Board is a shortfall of \$3.5 million even before we begin our budget cycle for 2006-07. In other words, if nothing is done, we will have to cut some \$3.5 million from our budget areas in order to balance our 2006-07 budget. At the same time, the government continues to invest new dollars in new areas without addressing the inherent flaws in the funding model, creating a false impression that boards have all sorts of money to pay salaries and benefits. While the new funding is welcome and appreciated, each new announcement decreases our flexibility to address our most pressing fiscal needs.

A recent survey of member boards by the Ontario Catholic School Trustees' Association, of which I said Louise is the past chair, shows a gap ranging from a high of \$6,362 to a low of \$2,289 per teacher, with the unweighted average being some \$4,375. The cumulative shortfall for these boards in 2005-06 amounts to some \$15.7 million or approximately 3.55% of their operating budget.

We have appended a chart to this presentation that shows—I'm going to skip a little bit. I think we clearly want to say that our cost shortfall is \$6,897,247.

Quickly to move through to capture the special education concerns: Special education continues to be an area where the needs of students far outstrip available resources. I know it has always been a challenge. We need to ensure, however, that current funding levels are adjusted upward to reflect increasing costs while the model is being reviewed.

On student transportation, a new and vastly improved student transportation model has been promised and repromised to school boards since 1997. Like the teacher

salary funding model, the current transportation model stands on an outdated and inadequate benchmark, as it is based on 1997 dollars.

With reference to capital funding, school boards still await the release of the criteria for school closures and other capital-related processes. At the same time, we need to address high-growth areas within our district. Our board believes the previous model worked very well and that we were able to develop a 25-year accommodation plan. We have to say, quite frankly, that the current lack of direction in the area of capital is a prime source of frustration. We need the capital processes and guidelines in place so we can ensure systematic improvement of student learning. How we provide safe and nurturing learning environments does have a critical impact on student learning.

1120

We appreciate the work of our member of provincial parliament, John Milloy. He has worked very hard on our behalf on the topic of education. However, we do want to summarize the four key focus areas for improvement:

- development and quick release of an open, transparent funding model wherein the actual costs of teacher salaries and benefits are identified and fully funded through annually updating the teacher salary benchmarks to reflect the actual costs of teacher salaries and benefits as they increase year over year;

- upward adjustment of special education funding to reflect increasing costs and thereby address student needs while the model is being reviewed;

- provision of additional funding to school boards in the area of student transportation to bridge the gap between current cost and grants based on a decade-old benchmark; and

- release as soon as possible of the new funding guidelines for capital projects.

That summarizes and captures the four key concern areas for educational funding for the Waterloo Catholic District School Board.

The Chair: Thank you. The questioning will begin with the official opposition.

Mrs. Witmer: Thank you very much for your presentation. I think it's extremely well done. I would have to say that we're hearing more and more from school boards throughout the province—those that dare to speak up—that it's all fine and dandy that the teachers received salary increases, and so to the public there appears to be peace. However, it was done to the detriment of programs and services that are impacting on the quality of education provided to our students.

I would have to say, as the past Minister of Education, that there was a plan, the Rozanski report; there was a plan for student transportation; there was a plan for special education funding; and there was a plan for capital project funding. Now we see, about two and a half years later, that nothing is happening other than, unfortunately, these students continuing to suffer as a result of everything just being put on hold.

I appreciate that you have come forward today. As I say, we continue to hear these concerns. Transportation has been a big area in this community; I hear from a lot of parents. Special education: Parents are very, very frustrated. What would you recommend that the government do in this upcoming budget? What is the one area where you desperately need support for the students in the classroom?

Ms. Moser: I'd like to ask Roger if he would respond to that question.

Mr. Roger Lawler: I've had nine years' experience as director of education and represented the Catholic directors on the Rozanski commission. The frustration school boards have is that the salary benchmarks were not addressed. We now have more and more money coming to school boards that is given outside the funding formula: some \$250 million this year that the minister can use for projects. But that's coming to us outside of the funding model. Part of the funding model has an envelope called "local initiatives" or "local priorities." To balance the teacher line, which in our case is \$3.7 million between what the province funds and what we have in terms of collective agreements, we transfer the entire \$3.7 million of local initiatives to that salary line. So we have no money left for local priorities.

I liken it this way: The Legislature of Ontario is putting its budget together the same way I put my household budget together. If I know the cost of salaries and benefits, why wouldn't I have a simple funding model that says, "Salary and benefits: Here's the total cost"? What we're asking for is an open, transparent line that recognizes the full cost, and to please fund it.

The Chair: Now we'll move to the NDP.

Mr. Prue: I'm most concerned about special education, because we've heard a great deal across the province that needs are not being met. Are the needs of kids who require special education in Kitchener-Waterloo being met?

Mr. Lawler: Perhaps I could respond, on behalf of the board, that each year we spend about \$800,000 to about \$1.5 million outside of what's given to us for special education. The essential issue with special education right now is that we have heard we've got the same money next year as we had last year while the model is under review. But what happens is that quickly becomes 2003 dollars, because that's when it was frozen. So it's these increased costs that come up each year that—you get the kids in the classroom so you're taking the available resources you have and splitting them five and six ways instead of four ways to address those needs.

Mr. Prue: Are all the kids who need special education in the classroom, or are you having to turn some away?

Mr. Lawler: We're not turning kids away, because our philosophy is that special education is delivered in the classroom. We're a totally inclusive board. So kids are in the regular classroom. It is being able to provide the human resources supports in the classroom for kids that we're having trouble with. If you asked the principals, if we assign three educational assistants to a

school to help, they could use five. It's that kind of service delivery that's not being met.

Mr. Prue: So this is one of the areas where you want more permanent funding so you don't have to dip into—you need the money for other things that you're not spending it on.

Mr. Lawler: That's right. We, for example, are taking, on an annual basis, up to \$2 million from plant maintenance, which was given under the funding model to make sure schools are clean and safe and so forth, to finance the shortfall in teachers' salaries or special education or transportation. The way the funding model was set up, there were certain benchmarks, and those benchmarks have not been updated in terms of the rate of inflation or the true costs. So when you give money for things like plant maintenance, we should spend it on plant maintenance. We shouldn't be forced into a situation where we're spending that money on teachers' salaries because that hasn't been funded.

The Chair: Now we'll move to the government.

Mr. Milloy: I'd like to thank the delegation for their presentation, not just because they mentioned me in it. It has been a pleasure working with you. Having had the opportunity to visit most, if not all, of the schools in my riding under your board, I've certainly seen a real change over the last number of years from what was going on in the previous government and the lack of resources in a large number of areas.

I just wanted to follow up with a question which may be a little unfair. I'll follow up on Mr. Prue's question, and it's unfair in the sense that you've got about two and a half minutes to answer it. Special education numbers, in my understanding, have increased overall, the percentage. I just wonder, what do you think is driving the increase in the number of students who are requiring special education? I guess the problem the ministry is grappling with is how to get a handle on that. Or maybe I'm wrong; I don't know.

Mr. Lawler: I think, across the province, that is true: Special education numbers have increased. Part of it is trying to deal with that whole issue of kids coming to school ready to learn. We're really appreciative of the Best Start program and how that's going to help us create some significant changes. The reality is, I understand, that there are more kids coming to school with identifiable areas like autism and so forth, or more kids have asthma. Those kinds of things are happening. I don't know why. But the reality is, the kids show up and then we of course have to provide the program and try our best to do so.

Mr. Milloy: Is it true, though, that the percentage is going up? Just out of curiosity, are there more kids being identified as special needs in terms of percentage?

Mr. Lawler: I think that's true. I don't know the figure, but my sense is, it is true probably with our board and across the province.

The Chair: Thank you for your presentation.

Ms. Moser: Thank you for having us.

ONTARIO RESTAURANT HOTEL AND MOTEL ASSOCIATION

The Chair: I call on the Ontario Restaurant Hotel and Motel Association to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for our recording Hansard.

Mr. Terry Mundell: Good morning, Mr. Chairman and members of the committee. It's nice to be back in front of this committee again. My name is Terry Mundell. I'm the president and CEO of the Ontario Restaurant Hotel and Motel Association.

The ORHMA is a non-profit industry association that represents the hospitality industry, which is comprised of more than 3,000 accommodation facilities and 22,300 food service establishments, of which 17,000 are licensed to sell and serve liquor, with over 400,000 employees in the province of Ontario.

While Canada's food service industry showed moderate growth in 2004 and 2005—2.6% and 1.3% respectively—Ontario's sales growth lagged the rest of the country, with our growth being 1.1%.

1130

Accommodation occupancy rates for the first 10 months of 2005 mirrored 2002 levels but are below 2001 levels. Some regions of the province's occupancy rates dropped below 50%, particularly those border communities in Niagara and Windsor.

Our recommendations today are focused on sustaining the industry. The ORHMA has prepared a full written brief for consideration by the committee, and in that brief, on page 14, you'll find a summary of our recommendations. Today, I'm just going to present an overview of some of those recommendations, focusing on tourism, beverage alcohol, energy costs, and labour.

Ontario's tourism industry is facing changes in tourism patterns as a result of the Western Hemisphere Travel Initiative. Effective December 31, 2006, anyone entering the United States by sea or air must present a passport, and effective December 31, 2007, anyone entering the US by land must present either a valid passport or a "people access security service"—or PASS—card. The Conference Board of Canada estimates that this policy could suppress American visitors to Canada by more than 12% by 2008. In Ontario alone, the potential loss to our economy is over \$850 million and 7,000 jobs.

The ORHMA urges the province of Ontario and the government of Ontario to continue to work with its national partners, the federal government and the US government, to examine secure alternative types of documents.

The Ministry of Tourism has a vital role to play in the tourism in Ontario, undertaking market research, development of culinary tourism strategies, travel intention surveys, and developing targeted destination marketing campaigns to respond to existing, new and emerging markets. The ORHMA recommends a permanent in-

vestment of \$20 million of annual funding in each of two years for the Ministry of Tourism to be able to undertake dedicated tourism marketing campaigns geared toward identified key target markets, particularly the markets in the United States, which have dropped over 15% in the last couple of years. It should not be forgotten that this investment, and subject to the SARS recovery fund, provided a return to the province of \$11 for every dollar invested.

To further support the promotion of destination marketing, the ORHMA supports industry-led destination marketing fees. The 2004 and 2005 provincial budgets each announced a one-year retail sales tax exemption for DMFs, and the ORHMA recommends that the retail sales tax exemption on DMFs be made permanent.

The ORHMA is aware that a number of municipalities have also requested the authority to replace the destination marketing fees with a municipal hotel room tax. We appreciate that a hotel room tax was specifically prohibited in Bill 53, the Stronger City of Toronto for a Stronger Ontario Act, and recommend that a hotel room tax also be prohibited in any new municipal act.

The ORHMA also recommends that the province amend Bill 53 and not give the city of Toronto or any other municipality the ability to place a municipal tax on beverage alcohol. This will only drive the underground economy, create more illegal booze cans, and continue to foster an environment for more areas of potential violence in our communities.

The ORHMA urges the government to examine the roles and responsibilities of the Alcohol and Gaming Commission of Ontario, which acts as both an adjudicative body as well as an enforcement agent. This creates great concern for Ontario's licensees. The ORHMA recommends that the government separate the enforcement and prosecution functions from the adjudicative functions of the AGCO.

The ORHMA is also very concerned with the current hearings process of the AGCO. The system is complicated, bureaucratic and costly for both the government and the licensee. Rather, the ORHMA recommends that the government establish a hierarchy of sanctions such as warnings, cautions, education and administrative fines for minor to intermediate offences. This could conceivably eliminate about 75% of the backlog of potential hearings and could reduce government expenditures by about \$5 million annually. In addition, there would be revenues accruing to the government from the administrative fines, greater satisfaction from all participants in the system, and those businesses that were previously shut down for 30 days, 14 days or seven days would be continuing to generate tax revenue for the province.

Like other sectors, the hospitality industry is facing increased energy costs. Unlike other sectors, however, the hospitality industry is extremely limited in how it can change its business cycle to reduce costs. Quite frankly, business cycles are set by the customer, not by the restaurateur or the hotelier.

Furthermore, the majority of the food service industry in Ontario—over 60%—is still independently owned and operated, and with average profit margins ranging from 2.3% to 3.3%, many operators don't have the resources to invest in capital upgrades to improve energy efficiency. It's for these reasons that the OHRMA recommends the establishment of a third energy user category specifically for the hospitality industry, which would increase the small user range from 250,000 kilowatt hours to 400,000 kilowatt hours, specific to our industry.

The ORHMA also recommends the establishment of a capital grant program for small and medium-sized businesses to make capital improvements to their establishment and energy systems to reduce energy consumption.

The government has also made significant investments in training and apprenticeships; however, the ORHMA was disappointed that the new apprenticeship tax credit did not include chef/culinary management apprentice positions, and recommends that this be changed.

Lastly, although food service and accommodation operators have received WSIB premium decreases in each of the last three years, it was disappointing to see the provincial average premium rate increase by 3%. We've been an active participant in regular WSIB consultations and are discouraged by staff's continued claim that premium rates will continue to increase. The employer community has lobbied for an extension to the termination deadline of the unfunded liability and for freezing of rates. Furthermore, ORHMA urges the government and the WSIB to make significant changes to the experience rating program, the NEER program, to return to the original goals of the program whereby employers received incentives and rewards for reducing lost-time injuries and claims.

Thank you very much for your time today.

The Chair: Thank you. This round of questioning begins with Mr. Prue of the NDP.

Mr. Prue: We were in Sarnia yesterday. As we were leaving the bus from downtown Sarnia, the first five restaurants that we passed on the way out were all closed, boarded up. I can see what you're talking about in border towns. I'm interested in your suggestion here. Would the permanent retail sales tax exemption on destination marketing fees assist border towns like that? I can also tell you that we were in Niagara Falls, and I think the vacancy rate in that hotel was huge.

Mr. Mundell: We've been working with hoteliers in Sarnia specifically on creating a destination marketing fee for that area. If you look at the big hole in our tourism marketplace in Ontario and in Canada, it's from US visitors. That really is the hit. Places like Sarnia, Windsor and Niagara—and, from a provincial perspective, look at where your major casino operations are: in those border communities. There is no doubt about destination marketing fees. We need to be able to get out into those marketplaces. We need to bring more US visitors. They are our largest customer. They're significant. That exemption will help. What it has done is allow the

industry itself to leverage a significant amount of dollars to be able to market into those marketplaces.

Mr. Prue: This is a difficult thing. I look in disbelief as the United States turns inward. More and more of them are staying at home. They're afraid of travel. I don't know how we get around that as a country. I think it's they who have to come back out and recognize their place, as opposed to being isolationist.

Mr. Mundell: In fairness, our Premier has been involved, our Minister of Tourism has been involved and the federal government has been involved. We've also been in contact with chambers of commerce statewide, whether it be in Michigan or New York. They're very, very concerned about this Western Hemisphere Travel Initiative will do to their businesses as well. It's two-way travel. I think from the US side there's a significant push there as well. But this is a huge, huge cost to our businesses in Ontario and our economy if we don't get this fixed.

The Chair: We'll go to the government.

Mr. Wilkinson: It's good to see you again, Terry. Thanks for the presentation; it's always very extensive. I was interested when you were talking about the labour market and the culinary industry. When we go on these tours, we go to many hotels and restaurants right across Ontario, as my colleague Mr. Prue was saying. Last night we were at the Stratford Chefs School, which doesn't fall under the funding that you were talking about, although it does apply for a separate program. But it shows that it's a great industry, a growth industry for this province, and we need to support it.

Last year when you were here you were talking about galloneer and you were saying that that was something our government could do, at the top of your list, to try to make a positive impact for your members. Could you just bring us up to date on last year's testimony and what has been going on?

Mr. Mundell: Yes, we actually did, subject to my presentation in front of the standing committee, have an opportunity to meet and discuss with the Minister of Finance and his colleagues. Recently, the galloneer fee has been eliminated for our industry. It's about a \$25-million savings for our group. It's very, very significant. It was a very positive move and, quite frankly, it was one that was very well received in the industry. It's a great piece, and I had that opportunity to thank the minister directly.

1140

The Chair: We'll now move to the official opposition.

Mr. Hudak: Thanks, Terry. As always, a very comprehensive presentation. There were a lot of questions too.

I appreciate your points on the destination marketing fees and I'm pleased to see that they were not given the authority in the City of Toronto Act to levy an additional tax. I do worry that the government is contemplating a change in the Municipal Act to allow similar taxation across the province, if you wanted to reinforce that point.

I take it that where DMFs are currently being used, there is strong satisfaction and it's not a free ride or a problem.

Mr. Mundell: Yes, there's no doubt that the DMFs are the way of the present, not of the future, in our industry. It's not only in Ontario. This has been happening across North America. We're seeing DMFs come up in St. Catharines. As I said earlier, Sarnia has been discussing it, Hamilton has been discussing it, Toronto, Ottawa, Kingston. So it is the way of the future and, really, at the end of the day, it's the industry banding together by themselves, understanding that they need to put a pool of money together to market into the United States jurisdiction. It has got so competitive. If you look at the US visitor numbers, they are down dramatically. Those are the dollars that are hurting us in the industry. They're not only hurting our revenues; they're hurting provincial revenues.

Mr. Hudak: And you're calling for the permanent elimination of the sales tax on the DMFs. We've had that for the last couple of years.

Mr. Mundell: Yes, we've had two, in 2004 and 2005 both. There has been an exemption for one year. I think now that it's clear in the City of Toronto Act that the city won't be given that authority, we're asking for it to be made permanent.

Mr. Hudak: And with respect to the—it's later in your report; I didn't get through all of it. The beverage alcohol review panel had a number of recommendations that would be helpful to the industry. We haven't heard much since that report was put on the shelf rather unceremoniously. Anything that jumps out of that report that you would like to see implemented by the government?

Mr. Mundell: No doubt the issues around the Alcohol and Gaming Commission. I just think it's a significant cost for the industry. Small, independent operators can't afford \$10,000 or \$15,000 to defend themselves. Quite frankly, some of the fines and suspensions we recommend are pretty minor stuff, and that system is up and running in other jurisdictions.

Mr. Hudak: If not the AGCO, then who should—you talk about separating the powers between the administrative side and the quasi-judicial side. So should LAT take over part of that responsibility, or who do you think should administer the missing piece?

Mr. Mundell: I think the clear piece is that it needs to be separated. If you look back years ago when the Ministry of the Environment was both the operator and the regulator of water systems and sewage treatment plants across Ontario, there was a decision made purposely to separate that; hence, the Ontario Clean Water Agency was formed. So one operated the plants and one was the adjudicative system. There are numerous instances of that across the provincial government in the last seven to 10 years.

Mr. Hudak: You talk about the importance of the culinary tourism strategy. I didn't catch a dollar figure in your report. Is there a level of funding that you think would be appropriate? Secondly, Mr. Prue and I think

you should put wine back into the culinary tourism strategy.

Mr. Mundell: Actually, wine is part of the culinary strategy.

Mr. Hudak: It's out of the title now.

Mr. Mundell: It's out of the title but it's a big piece of it. Quite frankly, that's a great opportunity to bring Ontario's produce together with our wineries, with our restaurateurs. It's a huge business; it really is. I didn't put a dollar figure on it because we're still very much at the front end of the process. I'm on the committee working with the Ministry of Tourism. We've made some significant progress, but there have to be some dollars there to start to drive this thing.

The Chair: Thank you for your presentation.

TOGETHER IN EDUCATION

The Chair: I call on Together in Education to come forward, please. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Rick Moffitt: Thank you very much. Before we get started, I had asked if we couldn't perhaps fiddle with those numbers a bit, because I think we may need a bit more than 10 minutes, perhaps cut down on the questioning time.

The Chair: I'd have to consult with the committee about that.

Mr. John Ryrie: We'll try to get through as quickly as we can.

My name is John Ryrie. I'm here today representing public high school teachers in Waterloo region. With me is Rick Moffitt. He's communications officer for the elementary teachers locally. We usually have the president of the Ontario English Catholic Teachers' Association with us, but unfortunately two officers were required to be at a provincial meeting of their own, so they aren't here. We do appreciate the opportunity to share our concerns and perspectives with this committee.

Collectively, we are thankful that the present government decided when it took office to make one of its primary goals that of investing in public education. Mr. McGuinty and his party decided to repair the damage done by the previous government when it took hundreds and hundreds of millions of dollars away from Ontario students, as was highlighted so dramatically by Dr. Rozanski in his extensive report.

There is clearly still much to be done. I know that my provincial organization, OSSTF, has highlighted a number of key objectives at a previous hearing. I'm not going to elaborate on all of them, but I do want to highlight a number of them as a way of emphasizing their importance.

The funding of education benchmarks with realistic inflation factors: You heard that message about half an hour ago from the Catholic board. It is an ever-present problem and it needs to be addressed.

Funding the real costs of employee salaries and benefits: You also heard about that. It is a real problem. It forces boards to continue to cut into other areas in order to pay their employees, and not just teachers.

The proper funding of pay equity: I think it is a disgrace that we have a program that is supposed to be providing justice, for women largely, across this province, and there's virtually no movement on this because the boards don't have the money to do it. They're stonewalling because they know they don't have the money and the pressure is not there. I think this is an embarrassment and it needs to be addressed.

We need strong funding for support staffs. The ministry, for example, forces us to use a program that provides more data to the government but doesn't recognize the extra stress that puts on our support staffs, our secretaries in particular, who have to use this program. It's just been a disaster, by and large, when it gets introduced: enormous extra pressure but no extra dollars for it. So you continue to squeeze your support staffs and pretend that the problem will just go away, and it doesn't. Some of them have resigned locally and they just end up crying because the stuff doesn't work. There's very poor implementation along those lines.

Special education funding: You heard about that earlier. I'm not going to repeat that one.

High school credits: The funding model recognizes 7.5, and our local students take 7.6 or 7.7. That just means we're short tens or hundreds of thousands of dollars to pay for the teachers to offer the credits to the kids who are taking them. This is certainly one area that needs to be addressed with respect to funding.

Adult education: We should have more adults in our regular high schools. I taught two of them in grade 11. They were terrific students. One was a mother with two kids; she happened to miss the odd class because her kids were sick. But they got their credits. She was coming back long after she left high school in order to get the diploma she needs to get employment. Yet we've squeezed these people. It's my understanding that it has dropped from 80,000 to 8,000 adults we're serving, and that's just ridiculous, because those are the people who need the education.

Proper funding for non-credit ESL courses: My provincial organization addressed that.

Transportation costs: You heard about that earlier too. I'm not going to repeat it, but it is a key issue. Boards planned their budgets last year, yet their costs go up astronomically because of things that have nothing to do with the budget process, and they can't address them. The funding model doesn't work in a lot of different ways.

All of these areas are important to the restoration and enhancement of our schools and the ability to cope with the students who show up in our classrooms. Most of them apply to elementary as well as secondary.

With respect to the upcoming budget and education finance, I have three very general concepts I'd like to

touch on. They aren't particularly novel or unique, but I think they are significant.

(1) The ministry needs to be realistic in costing educational staff and resources. That's a global comment that, again, was made half an hour ago. The idea of doing more with less just doesn't work in education, which is why it's going to cost Ontario school boards billions of dollars to repair the actual buildings we house students in. A decade of cutbacks and neglect has led to this reality. But the same is true for educational staffs and supports, and the problem is exacerbated, as I mentioned earlier, when the ministry adds bureaucratic work to school boards without recognizing the cost of extra demands. The Trillium computer program is one example of that.

(2) School boards need both firm funding and some flexibility. What Roger Lawlor was highlighting half an hour ago is that when you silo all of the education budgets and force boards to spend the money in certain ways and they have real costs elsewhere, and there is no flexibility because there isn't enough money in the other areas, then you cause them to either cut programs or cut into resources, whether it's textbooks or something else that's necessary. You can maybe get by in the short term. We've been doing that for about 12 years now, and I think it needs to stop. Obviously, you need a proper funding model, but it also means you have to provide some flex in there with respect to the planning.

I'm going to ask you, did you plan last year for the amount of gasoline you'd use this year in your vehicles? And if you did, are you on budget? Are you prepared to eat less in order to compensate for the high cost of automobile fuel right now? I don't mean whether you're prepared to eat less expensive food or eat out less often. I'm wondering if any of you would starve yourselves in order to stick to your budget and pay for the necessary costs of transporting yourself to work. I'm assuming you just don't want to quit your job because you can't both eat and pay for transportation. That's the scenario that's being played out in school boards with respect to how they pay for the things they're supposed to supply for students and the community. Because there's been less and less flexibility built into school budgets through the funding model, particularly with respect to energy and transportation, boards continue to compromise their objectives and their student funding for ESL students, for example.

1150

I think I'll jump to the third point, which is the notion that we can't pay for public education. As I have pointed out at previous committee hearings, the people who have enjoyed the most significant drop in their taxes in the last 10 years and have reaped the largest financial benefit from changes in government policy have not been the people living on the street; the families going to food banks; the people needing books, subway tokens, medicines, subsidized housing; or the children who need to freely access local gymnasiums, parks, arenas and swimming pools. As is apparent to virtually everyone, the

wealthy in Ontario, as in the United States, have become substantially wealthier and the poor have become poorer.

Mr. McGuinty had it right when he introduced the health care tax under the guise of a premium. He made the wrong promise during the election, but he did the right thing when he looked at the books. To provide for health care, we need the money to pay for it—and we can afford to do it. It's remarkable that, despite the “Woe is me” and “Woe is Ontario” rhetoric that followed this decision—and it went on for months—right now the market for houses and condos costing hundred thousands of dollars is red hot. The stock market is up. The energy sector is doing extraordinarily well, and Ontario's economy generally is doing also extremely well. But we are hesitant to invest in our children and I think that's not the right approach.

It's no surprise to me that our kids are obese. We reduced our investment in physical education 20 years ago, because it was, and continues to be, expensive to have gymnasiums and equipment and sports fields. If we genuinely care about the next generation, we need to decide what our students need and then pay for it.

There is enough money. There isn't a person in this province earning more than—you pick the figure—\$70,000, \$100,000, whatever it is, who would be genuinely deprived if they paid more taxes to invest in our collective future. We can't afford to neglect or short-change our schools or universities for short-term gain. Year by year, we are learning this lesson with respect to the pollution we breathe and the global warming that is attacking our environment. The same lesson applies to education. It just usually takes longer to recognize, as various jurisdictions in the United States have found out, such as California.

I'll stop there. Thank you very much.

Mr. Moffitt: I'll start by complimenting, and happily, the changes in funding that we have seen so far in education. I know John was shocked at the last meeting when I did that and I'd just like to do it in public as well, John.

Mr. Milloy: For Hansard.

Mr. Moffitt: Poor Hansard, yes.

On the other hand, I must say that some of the problems that we face in terms of financing structural improvements in this province do concern me and the government's plans, as announced, concern me greatly. David Caplan's announcement that he's willing to use P3s to fund capital projects in education, and in fact in a number of initiatives, really does disturb me because what it really means is, we're going to shortchange all of those investments by between 15% and 20% on the dollar, and that's what I'd like to focus on right now, because from my perspective there is no greater threat to the finances of this province than the introduction of P3 financing for public infrastructure projects. The commercialization of public services must not be facilitated by the use of P3 financing. The incredible concept that we can somehow separate the delivery of a service from the service itself is illogical. It's the kind of logic we expect

from small children, not political leaders. It is a fiction that P3s are an effective means of funding structural capital investments.

The previous Conservative government deliberately followed policies which shrunk our government. They cut tax rates for corporations and the wealthiest citizens, thus limiting government revenue and then, after limiting revenue, they cut services to try and maintain balanced budgets. The Conservatives refused to invest in public capital and, instead, attempted to introduce the private delivery of services as an alternative. Citizens did not accept this when they were in office, and when they ran for re-election, they were thrown out.

But your party, the Liberals, promised change. They promised meaningful change, and your party has delivered it in some sectors of government but not in their fiscal policies. Citizens voted for a change. Your government promised to halt the P3 hospital being built in Brampton, and not only did you not do this, but you finalized contracts allowing it to proceed. We understand why the Conservatives proceeded with P3s. They were ideologically beholden to the idea of shrinking public investment in favour of private investment. Your government, however, promised to do better and they have not.

1200

The Chair: You have about a minute left for your presentation.

Mr. Prue: On a point of order, Mr. Chairman: I would give up my three minutes if they need it.

The Chair: Agreed? Agreed.

Mr. Moffitt: Thank you.

We have viewed with much horror the unfolding facts about the P3 financing of the new Osler hospital in Brampton. The Liberals said it would save money and would enable the public sector to expand without incurring any risk. Clearly, this is not the case. The contract signed by the government agrees to set an interest payment for the mortgage on the facility at 2% more than the 10-year government of Ontario bond rate, so it cannot save money. Clearly the government can borrow the money at a lower cost. The increased cost associated with the mortgage on this project means that the government could have built a facility 1.75 times the size of the hospital at the identical cost merely by borrowing the money itself on 10-year bonds.

Second, the contract contains an agreement to pay service fees to lawyers and agents of the consortium to a total of \$10 million or 4% of the overall costs of the \$250-million project cost.

Worse, the government has allowed the consortium to contract to provide administration, cleaning, food services and maintenance services, and it is clear that there's no public interest being protected here. Allowing the bundling of other services into the contract allows the consortium to make profits while investing none of their own money, and this is not in the public interest.

Shame on the government for agreeing to use taxpayers' dollars this way. I work hard for my money. I

work hard to pay my taxes. I want my tax dollars used to pay for services that benefit my family, my community and me. I do not want my tax dollars used to pay for the profits of private companies, and that's what P3s do and that's what P3 financing does. The building of public facilities for public use is not an opportunity for profiteering. The need for a profit margin must never be allowed to trump the need for quality care, quality services and quality facilities.

We need to bring the light of truth to the big lies that P3s promote. One lie is that the only way a project will get built is if we use P3 financing. The truth is, the government has always paid capital costs through capital bond issues. The government still has to make their monthly payments with P3s but at a higher rate and over a longer period of time.

P3s claim that they protect against cost overruns. Again, the truth is that public capital projects in Ontario never have cost overruns because of penalties in contracts relating to cost and completion time. The core arguments make no economic sense.

The truth is that the government can borrow money at a lower rate than any P3 project can, ever has or ever will. The real threat we face is that the government refuses to release the financial information to test this theory.

I'd like to end with a story about a proposed P3, one that was to pay for the construction of a new courthouse. It's an important story, given that this government had a much-ballyhooed announcement about building a new courthouse in Kitchener.

In Calgary last year, there was an RFP placed for the design and construction of a new courthouse, in the most right-wing part of this country with perhaps the most right-wing government ever seen in Canada, and the following happened: The provincial government called in the consortium who had submitted the best bid and said to them: "We like the architect you picked and we love the proposed design. We have worked with and approve of the construction company you would use—we've had many successful projects built by them. We have a problem with the financing, though. When we work out the premium charged for you arranging financing for us and then add on your legal and financial fees, it's clear that we can finance this project ourselves for 3% less than you want. So we are pulling this project from the competitive bidding process and proceeding ourselves with the financing and construction of the project."

That project is now under way in Calgary, and it's instructive that even the most right-wing government in the land could no longer stomach the high cost of P3 projects. If all the oil money in the province of Alberta cannot afford this type of financing, neither can we in Ontario. And we cannot afford this in education because it will take 15% to 20% of every dollar out of education funding.

The Chair: Thank you. This round of questioning will go to the government.

Mr. Milloy: Mr. Chairman, I'm happy to ask a really quick question and give my colleague from the NDP a chance too, as he gave up his time. Is that okay?

The Chair: Yes.

Mr. Milloy: I'll ask Mr. Ryrie I guess the question we've asked other people. You've given a long list. What would be your priorities in the budget going forward—

Mr. Ryrie: I'll repeat what was said half an hour ago: I think if you get the funding model right and look at real costs and match the real costs with your benchmarks and then go forward, you've got a plan. You have to deal with inflation. The other issue is that I think there needs to be some flexibility built in. We have to staff to exactly the right number of teachers before we know the kids show up. Then locally, ESL kids come in all year long, but we don't know how many are going to come, because we don't have any control over immigration. So all of a sudden, we don't have enough ESL teachers in the school. Those classes that are supposed to be at 15 or 20 in order that they get the support they need are now at 25 or 30. To hire another couple of teachers, the board has to put out hundreds of thousands of dollars. Where are they going to get that money? They can't, because they've said, "This is the budget, this is how you're funded and these are the set dates." There's no flexibility. You've got to get the funding model working with real boards, and then you'll be solving most of your problems.

The Chair: We'll move to Mr. Hudak.

Mr. Hudak: I think in the interests of camaraderie, I'll share some time. I have one question, and Mr. Prue, I'll dedicate—

Interjections.

Mr. Hudak: You made a very passionate presentation illustrating your opposition to P3 financing. The government says that they're not P3s, that they have their new model called ATVs or APVs or something like that. But is that not just a P3 by any other name?

Secondly, you obviously object to P3s in hospitals and, I assume, in education funding. How about in hydro projects as well, where there are some long-term contracts—private delivery of hydro?

Mr. Moffitt: I personally am adamantly opposed to this. I think that the minute you let it through the door in one area, then you open this wide to every area that the government is in. In education, we have an expression when we start talking about what happens with health care. We say, "You've got to be careful because we're next, and the only time we're not next is if we're first," and that's just realistic.

We view with some concern the idea that we're going to do this. We don't believe this is an efficient use of taxpayer money. As people who work in public services, we believe that public services need to be funded publicly and for the benefit of the public, not for the benefit of anybody else.

Mr. Hudak: It's the same thing: P3s, ATVs.

Mr. Moffitt: I think AFPs was the one that John used—alternate financing proposal or procurement.

Mr. Hudak: I'm just having some fun with it.

Mr. Moffitt: Of course, it's exactly the same thing. There are some nice websites out there. The only people who don't call it P3s are the Ministry of Finance and members of the government. They haven't changed the names on the website. They're still P3s on the website, and that's what they are. They are what they are.

The Chair: We'll go to Mr. Prue. You have two minutes.

Mr. Prue: I thank my colleagues. On page 6, you talk about increasing taxes. It has been estimated that if all we did was put the surtax back on those earning about \$100,000 and \$150,000—those two surtaxes—there would be about \$1.5 billion extra into the economy. Are you suggesting that this government do that? That would wipe out their deficit or it could pay for welfare reforms or for education or hospitals—the mind boggles at how much—just by re-taxing the super-rich.

Mr. Ryrie: I'd be prepared to pay more taxes if I knew the money was going to be well spent on the things that are important to make us a civil society, which are the things you mentioned: health care, education and some degree of transportation policy. We're going to have to deal with the environment at some point. I had a kind of semi-asthma attack in the fall for the first time in my life, and it's got to be from what I'm breathing. We're all breathing in the same stuff.

The issue, as I try to articulate it, is that the people who got the most benefit were not the people with needs. They didn't have any real needs. They weren't hungry, they weren't poorly clothed, they didn't have too little to read, they didn't have any of those needs. But the people who got hammered in the last 15 years were the people who didn't have anything to begin with. I just think it's obscene that we don't think we can tax our well-off citizens in order that everybody benefits. I just don't understand that.

The Chair: Thank you for your presentation.

The committee is recessed until 1 o'clock.

The committee recessed from 1203 to 1302.

GRAND RIVER HOSPITAL

The Chair: The standing committee on finance and economic affairs will now come to order. I'll invite this afternoon's first presentation, the Grand River Hospital, to come forward, please. Good afternoon.

Mr. Patrick Gaskin: Good afternoon.

The Chair: You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Gaskin: Sure. Thank you very much, Mr. Chair. My name is Patrick Gaskin. I worry a little bit about being the post-lunch speaker, so I will try to keep it entertaining for you.

I'm the executive vice-president of Grand River Hospital, located here in Kitchener, and I am also the Waterloo-Wellington regional vice-president for cancer services for Cancer Care Ontario. On behalf of the hos-

pital, I would like to offer the committee a warm welcome to our city and to Waterloo region.

I'd like to begin today by thanking the committee for giving Grand River Hospital the opportunity to be here to provide to you, and through you to the Minister of Finance, our input on the direction of the Ontario government for the 2006-07 fiscal year, particularly as it concerns health care investments in Waterloo region. We know that many organizations have requested the chance to present to you and we are grateful to have been chosen.

Grand River Hospital is a 495-bed, comprehensive community hospital, where 2,500 professional staff and 800 volunteers provide patient-centred care to residents in the region of Waterloo and surrounding communities. We deliver programs at several sites throughout Waterloo and Wellington region, with our main campus located in downtown Kitchener. We also operate the Freeport Health Centre, which offers long-term rehabilitation and complex continuing care services, and several community-based mental health services located in Kitchener and Cambridge. We provide a dialysis program in Guelph to support Wellington residents and we support an oncology program in north Wellington.

At our KW health centre, our programs and services include medical and surgical services, critical care, oncology, childbirth and children's programs, and psychiatric and mental health services. We also operate the Grand River Regional Cancer Centre in association with Cancer Care Ontario.

Over the past two years, much has been said by governments and the media about the need to develop official wait time strategies for specific procedures performed in hospitals to improve accountability and patient services. At Grand River Hospital, we couldn't agree more. We believe that we have the responsibility to ensure timely, appropriate and equitable access to MRI, CT scans, cancer surgery and joint surgeries.

In pursuit of our goal to be a leader in transforming access to health care and improving wait times, we became the first community hospital in the province to provide public, online access to current average waiting times for these procedures so that patients know exactly what to expect. The information is available at the hospital's website.

In addition, Grand River Hospital is one of five hospitals in the province that have been asked by the government to be pilot sites for the province-wide initiative of creating a real-time provincial wait time information system. The expectation is that we will go live with this new system by March 31, 2006. Again, Grand River Hospital is pleased to support the government's health care transformation agenda.

We also support the creation of the local health integration networks, or LHINs, again as part of this transformation agenda. LHINs will ensure that communities have a greater say in making health care decisions. We have met with the Waterloo-Wellington LHIN CEO and have conveyed our willingness and support for ensuring

that we develop and deliver the best health care for patients in our region within the resources available.

Grand River Hospital is fortunate to be a part of an integrated health care community. We work closely with our other local hospitals, including Cambridge Memorial Hospital and St. Mary's General Hospital in Kitchener. In fact, Grand River and St. Mary's came together to appoint a joint chief of staff, Dr. Ashok Sharma. With Cambridge Memorial Hospital, we have appointed a joint vice-president, Ms. Jenny Rajaballey, responsible for the mental health services in both organizations. By working with our regional hospitals, we believe that these unique types of regional co-operations significantly benefit patients. We also recognize how investments in one health care facility in our area have had a positive impact in our region as a whole.

I would like to take a moment to recognize the strong local support we have received from our elected representatives at all levels. Provincially, this includes John Milloy, Elizabeth Witmer and Ted Arnott. We appreciate the work they have done at Queen's Park to highlight our accomplishments and champion our issues as we work to meet the growing health care needs of our community. Together with Gerry Martiniuk and Liz Sandals, all the MPPs in Waterloo region and Wellington county have supported health care in the region, and I thank them for working to bring additional health care resources to our LHIN.

I want also to recognize the incredible support, both financially and from a volunteer standpoint, that we receive from our local community. The contributions we have received in recent years have allowed for timely completion of our regional cancer centre, our regional dialysis expansion, expansions to our emergency, childbirth and children's programs, as well as the capital support for the region's first MRI and other health care equipment. We are confident that they will be our full partners again in our next phase of capital redevelopment.

With a combined population of over 450,000, Waterloo region is one of the largest and fastest-growing areas in Ontario. While much attention has been paid to the GTA/905 area, the reality is that businesses and families are increasingly attracted to our region. At Grand River Hospital, we believe that there are strong linkages among a community's health care services, its economic performance and its attractiveness as a place to live and do business.

With this in mind, and as we look ahead to the 2006 Ontario budget, we are concerned that despite our innovative community partnerships and the hard work of our local politicians and broader community, the health care demands of those living and working in Waterloo region are poised to outstrip our ability to meet them at current operating funding levels. If we are unable to keep up, we will lose our allure as an attractive place to live, work and do business.

I know that this committee will be hearing from the Ontario Hospital Association and be provided, at that

time, with detailed information on the operating funding challenges that many hospitals, like ours, are facing.

The point I want to make today is simple: Grand River Hospital not only plays an important role in meeting the ever-expanding acute care needs of Waterloo region's residents, it also plays an integral part within the region's economic development strategy. We urge the Ontario government to recognize the growing health care needs in our region, to accept the link between health care services we provide and the region's economic future, and to ensure that funding for our hospital, both operating and capital, keep pace so that we can continue to be an appealing community for businesses and families.

From a capital investment perspective, Grand River Hospital was pleased by the government's approval, announced this past September, of the last phase of our patient care development capital project, as part of phase 2 of the Ontario government's ReNew Ontario strategy. This development builds on earlier phases of Grand River Hospital's capital redevelopment and will begin in 2007-08.

1310

Many aspects of the patient care development project are directly linked to the government's transformation agenda, including the goal of reducing wait times for priority health care services. These include the expansion and modernization of such services as:

- our pre- and post-surgical units;
- our operating rooms;
- our in-patient oncology;
- our intensive care unit;
- our adult in-patient mental health services;
- a high dose radiotherapy suite to support our cancer program; and
- several hospital-based medical/surgical clinics.

The patient care development project is crucial for us to meet the increasing demands for these services in our region. Specifically, the expansion of our in-patient oncology and intensive care units, along with the enhancements to our operating rooms, are all key enablers which will improve access for patients and reduce wait times for the residents of our community. These capital investments will allow Grand River Hospital to support the access that patients require to vital acute care services.

Again, as we look to the 2006-07 budget and assess the growing needs of our region, we are asking that the government accelerate the funding for the patient care development project, so that we can begin in early 2007. We would encourage the committee to recommend to government that it fast-track this final phase of the ministry-directed capital improvements so that we can begin in the 2006-07 fiscal year.

In conclusion, I would like to express our appreciation for the opportunity to appear before you today and to outline our key requests for the 2006 provincial budget; namely, to encourage the Ontario government to work with us to ensure that Grand River Hospital is provided with sufficient operating funding in 2006-07 that ensures we can meet the needs of our residents, and that Grand

River Hospital's patient care development project is fast-tracked and that we can move ahead with tendering the project in 2006-07. The government has already earmarked our funding; we would just ask that it become available in the 2006 fiscal year rather than the 2007 fiscal year.

We feel that acting on these recommendations will help the government meet its goal of reducing waiting times for priority areas and bringing services closer to home for our high-growth community. By doing so, Waterloo region residents will continue to have the best possible access to services in state-of-the-art hospital facilities.

Thank you. I would be pleased to answer any questions at this time.

The Chair: Thank you. This rotation will begin with the official opposition.

Mr. Toby Barrett (Haldimand-Norfolk-Brant): Thank you for the presentation on behalf of Grand River Hospital. You conclude with the mention of both the capital project or projects and operating funding challenges. Very simply, can we put a dollar figure on the operating funding? Is there a challenge in this present fiscal year, in projections for the coming fiscal year?

Mr. Gaskin: There are challenges both in our current fiscal year and going forward in our 2006-07 fiscal year as well. Currently, our estimated deficit is around \$5 million. Going forward, we haven't concluded developing our budget yet for our 2006-07 assumptions and don't have a number at this point.

Mr. Barrett: And the proposed expansion and modernization of a number of services would be proceeding now, part and parcel in conjunction with community fundraising as well?

Mr. Gaskin: It has, and we've had very strong support from our community for our previous initiatives.

Mr. Barrett: So you have approval from the minister, and you can project how much is coming in from fundraising?

Mr. Gaskin: We do.

Mr. Barrett: Would you be rolling this out in stages, or is it all in one big package?

Mr. Gaskin: Most of this phase is internal reconstruction within the hospital, so it will roll out through phases. It's approximately a \$70-million initiative. Our whole project was about \$180 million. We have about \$70 million left to do, and most of that is internally, within the organization, so it will go in phases.

Mr. Barrett: I see. So you've completed \$180 million in capital—

Mr. Gaskin: One hundred and eighty million was the total, and we've completed about \$110 million so far. About \$70 million is our remaining share to be done.

Mr. Barrett: What would be the fundraising component of that?

Mr. Gaskin: The fundraising is usually a combination of 70%-30%. I don't have the exact figures, but as a ballpark estimate, in terms of being able to estimate, about 30% of that.

Mr. Barrett: Good luck with that.

Mr. Gaskin: Thank you.

The Chair: Thank you. We'll move to Mr. Prue of the NDP.

Mr. Prue: It wasn't till right near the end of your presentation and the conclusion that I actually understood what you were trying to tell us. It sounded like everything was perfect, and, "Don't touch us." But in the end you got sufficient operating funds. Is that the same as you got last year plus inflationary costs, or is it more than that?

Mr. Gaskin: The challenge is that the inflationary costs we get are often outstripped by the real inflationary costs we receive. So the growing gap is our challenge. I don't have that as a percentage figure; it's a combination of not just inflationary costs but also increasing need and access to services for people within the community.

Mr. Prue: So this is inflationary costs tied in with population increases, or a combination of the two.

Mr. Gaskin: For sure.

Mr. Prue: The second thing you ask for is that the money be funded this year rather than next year. I guess it's up to the government whether they have the money this year or next year. What difference will it make to you to start a year earlier?

Mr. Gaskin: I think part of it is that it's a multi-year project, so they'll be able to achieve it. We were also one of the last regions to have the Health Services Restructuring Commission come and visit us, so some of these recommendations are coming out of reports that were done in 1997-98. So as we wait for 2007-08, we're 10 years behind in terms of implementing recommendations we have had. The faster we can do that, the more efficiencies we can create, the more ability to deal with things like wait times and access to services for that. While it only may seem to be a year, I think it's important that it is multi-phased and that we try to begin it as quickly as possible.

The Chair: Now we'll move to the government.

Mr. Milloy: Thank you for your presentation. Being one of the local MPPs, I'm obviously familiar with much of what Grand River has been up to and some of the challenges, but just to put it on the record for the benefit of the other members, I want to ask a two-part question.

One, you talk a little bit about the network of hospitals in the region. I thought it was important for people to know the work you have been doing, especially with St. Mary's hospital, in terms of aligning services. I think you've found some pretty major efficiencies there.

Secondly, do you have any stats on increased demand in terms of the growth here and how that has affected the hospital?

Mr. Gaskin: On your first question, we have worked very closely over the last few years with St. Mary's hospital as part of our directions from government to reallocate and redistribute our services among the hospitals, so we have created two very strong community hospitals with very distinct but complementary roles. We have implemented that successfully so that we have a

cardiac focus and a day surgery focus at St. Mary's, and do intense in-patient surgery at Grand River Hospital, with a cancer focus and the child birthing, children's and mental health programs I mentioned. So we do have a very complementary arrangement of services that we are proud of, and have achieved a greater degree of that than other regions would have, with the strong co-operation of the hospitals.

Your second question was in terms of the impact of growth and—

Mr. Milloy: Yes, the impact of the growing community on the hospital: if there are some numbers or statistics on how that has affected the Grand River.

Mr. Gaskin: As regional vice-president for cancer, maybe I could speak from that perspective. If we look right now, this year we will have 86,000 cancer visits. Three years ago we had zero—not quite zero; we offered a small chemotherapy clinic. But the idea of those services needed locally and not available locally speaks to the incredible growth we've had in some of our programs in terms of new services that we've been able to bring here and reduce people travelling. That's probably just a good example where, as I say, we were at about 10,000 visits and we're at 80,000 to 90,000 visits this year.

The Chair: Thank you for your presentation.

1320

REGION OF WATERLOO

The Chair: I call on the region of Waterloo to come forward, please. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Ken Seiling: My name is Ken Seiling; I'm the regional chair. This is Larry Ryan, our chief financial officer. I think I'm timed to 13 minutes, so I'll try and read faster. I didn't realize it was 10 minutes.

The province has had a history of seeking input prior to the completion of the annual provincial budget, and on behalf of the region of Waterloo, I want to thank you for the opportunity to participate in these 2006 pre-budget consultations. We all know that there is lots of advice and not enough dollars to do everything, so I hope that, out of what you hear, you can provide sound and balanced advice as the budget is prepared.

There is much that we do, both individually and jointly, but given our time frame, I would rather focus on just a few areas which I believe are of great significance for the health of this region and of this province.

The region of Waterloo continues to be one of the major economic engines that help to drive the provincial and national economy. Like any healthy business venture, good-quality investment is key to our joint success if we are to support a high quality of life in Ontario communities and maintain Ontario's global economic competitiveness. When I speak of investment, I mean investment in both the human and physical infrastructure critical to successful communities. To that I would add

the important caveat that the province needs to invest in and reward success if it wants Ontario to be successful.

Waterloo region continues to be a fast-growing community with tremendous economic growth. With a current population of about half a million, it is the fourth-largest urban area in Ontario. With an annual gross domestic product in excess of \$19 billion, the region of Waterloo contributes almost a net \$2 billion back to federal and provincial coffers annually, a net contribution of \$10,891 from each household in this region. Just this week, BMO Financial Group reported estimated GDP growth of 5.1% for this region in 2005, significantly greater than GDP growth in Ontario or Canada. BMO further projects continued strong GDP growth of about 3.3% annually for the period 2007 to 2010. This is consistent with the CIBC World Markets and Conference Board of Canada reports of last year. This region is home to one of the youngest and most culturally diverse populations in the country, a population that drives the kind of advanced economy that ensures Ontario's competitiveness in the global marketplace. The region of Waterloo represents a sound investment for the province, with a guaranteed return. We have proven this time and time again.

I want to make it clear that we're not complaining about making those contributions. We want that contribution recognized, and support in doing that.

This growth and success are not just accidents of geography but the result of initiative, investment, entrepreneurial skill, a sense of stewardship and a community ready and willing to move with the times.

For more than 30 years, the region has been the major municipal partner with the province in providing key human and built infrastructure. That relationship has had its ups and downs. Today, more than ever, we need to address that relationship if the region is to remain economically prosperous and continue to support a high quality of life. The property tax system will remain a major component of our relationship, but we must acknowledge that it is increasingly stretched and not always appropriate for the types and levels of services we now deliver.

The province has recognized the need to plan and has passed legislation setting out that role. In the proposed growth plan for the greater Golden Horseshoe, Waterloo region is designated as a high-growth zone. The province forecasts that our population will reach 729,000 by 2031. This 46% increase in population puts a tremendous strain on our human services and infrastructure. It also places a great deal of pressure on our land base. Waterloo region will need your assistance if the province is to be successful in achieving its objectives in Places to Grow.

I want to acknowledge that the government has shown its good faith in setting out in a new direction by way of providing municipalities with a portion of the provincial gas tax for transit. This is a good start, and there are other areas that will require sustained senior government investment over the long term.

It is neither appropriate nor feasible to continue to rely primarily on the property tax base as the main source to

fund initiatives of such important provincial and national benefit. We believe that the most equitable and sustainable funding model for such an ongoing program would involve a balanced sharing of responsibility between municipal, provincial and federal governments.

In the few minutes I have left available, I would like to highlight a few areas where we believe the province needs to take action.

The province has recognized the importance of physical infrastructure and is, I believe, creating a long-term capital program under the leadership of David Caplan, who has shown a great understanding of the importance of this. Long-term capital forecasting has long been the practice of this region and of many other municipalities in the province. Water and sewage operating and capital spending have long been self-financed here in the region. It is in the area of roads, bridges and transit where spending challenges are evident as we seek to rehabilitate and build roads and bridges, and as we seek to expand and enhance transit services. This is particularly so in communities such as ours, which will bear the brunt of Ontario's growth in the coming years.

A good example of our commitment is in the area of public transit. Since the region assumed responsibility for transit in 2000, our region has aggressively expanded and enhanced our transit services. We have expanded transit services by 40%. This has resulted in significant gains in ridership, almost 35% in the system overall since 2000, and well over 80% in ridership growth occurring in the Cambridge area alone. We need to continue to aggressively pursue transit service innovation, enhancements and expansion if we are to successfully implement our regional growth management strategy, reduce the growth of automobile usage and meet the Kyoto targets. I hope the province will continue to partner with us in our efforts.

A key component of managing this growth and its impact on land use and transportation is rapid transit. The region has developed a comprehensive growth management strategy which is seen as a model for growth management planning in the province. In fact, much of the provincial legislation is modelled on what was done here in the region, and the minister has acknowledged that and thanked us for it. The RGMS identifies where, when and how future population and employment growth should best occur in the region of Waterloo. It balances reurbanization with limited new greenfield development, while offering protection for our precious agricultural lands and sensitive environmental areas through the establishment of a hard countryside line.

A key component of the plan and one that will ultimately contribute to the success of reurbanization is the development of the central transit corridor, anchored by a higher-order transit system using rapid transit technology. The region's light rail transit system proposal is a request for a capital infusion of approximately \$100 million from the provincial government to partially fund the first phase. For the system to come to fruition, the provincial, federal and regional governments are being

asked to share equally in the projected first phase of \$300 million development costs.

The return on this infrastructure investment will be measured not only in terms of ridership, but in the more vibrant urban places it helps create, the reining in of urban sprawl, its contribution to sustaining and protecting our precious rural and environmentally sensitive areas, its support of a stronger economy and improved air quality and citizen health.

Our transit plans and rapid transit proposal were not developed in isolation, but rather are closely integrated with and flow out of our growth management strategy. They also reflect what I believe are the province's objectives in promoting planned or smart growth and are reflected in the province's own planning and mapping.

Not only does municipal infrastructure require significant investment; the provincial roads that connect our region require replacement and upgrade as well. Upgrading of provincial highways such as 7, 8 and 24 are all included within the provincial capital program. These projects have been planned for a number of years, and their completion is essential to our region and to the province. Again, the Places to Grow strategy will not be successful without this infrastructure in place.

Rail connections, whether they be better intercity rail services or GO service, continue to be sought by the people in this region. We have been attempting to get some limited GO service but have been consistently told that a major capital upgrade is needed in the GTA prior to any system expansion. We understand that the federal government has allocated some funds for this and would suggest that solutions for the GTA GO deficiencies will ultimately make GO and/or intercity rail expansion possible for Waterloo region and for others. In the meantime, we believe there are some alternate arrangements that might be provided by GO if there is provincial willingness to consider them.

Growth is not only about managing our infrastructure, but it is critical to manage our human services. The region is responsible for delivering a broad range of human services, many with service levels prescribed by the province and many with provincial cost sharing of the funding. These include social assistance, child care, emergency medical services, public health, housing and long-term care.

The federal and provincial governments last year announced an agreement to expand child care in Ontario. Waterloo region has been allocated \$33 million in funding over three years to expand and improve our child care programs. The soon-to-be new federal government, if that's the way to describe it, has indicated it does not wish to proceed with the arrangements as currently negotiated. Although we support the new programs and manage the current system, we are concerned that we not be left to pick up a cost-shared program if the federal government withdraws and the province seeks a new funding partner. There is a history of unilaterally altered cost-shared programs over the last decade, and we would not like to see it happen again.

Emergency medical services: EMS funding is in a state of disarray across the province. From the very beginning, performance standards were imposed on municipalities that were not previously met by the province. In addition, the province agreed to fund 50% of the operating costs. Provincial funding has not kept pace with the significant increase in program cost drivers such as population and fuel and wage settlements. The province is now funding only 33% of the region's EMS costs, a shortfall of \$2 million annually. The province needs to provide its matching funds and its approvals in a timely way.

The Chair: You have about a minute left.

Mr. Seiling: Okay. Housing: Our concern, in a nutshell, is that we maintain the current housing programs, and if there's a change in the federal approach, we want to make sure that, between the province and the federal government, senior-level government support for housing continues. We also would hope the government can advance its promise to provide assistance to people in long-term-care facilities. The promise was for \$6,000; it's currently only at \$2,000. Although it's not a direct cost to us, we believe the people in facilities across the province deserve that support.

We would support the requests and concerns that have been raised by our hospitals and post-secondary institutions, because they are important parts of our economy locally. Immigration services is another area that we think merits some attention, given the rate of growth in this particular area and the importance of immigration to our communities.

1330

Basically, my summary is there: We need a comprehensive provincial-municipal infrastructure program. We need a commitment on the part of the province regarding rapid transit. We would like the province to fulfill its commitment on highways and GO or rail services. We need support for the Best Start program. We want to continue housing programs. We'd like the province to honour its commitments on EMS, and we'd like to work with the immigrant population.

I think I'll stop there. You can read the rest of it. That's it in a nutshell.

The Chair: Thank you for the presentation. We'll begin this rotation with Mr. Prue of the NDP.

Mr. Prue: Thank you very much. You touched briefly—and I'd like a bit of an expansion—that you want the province to assist with housing. Is there adequate social and affordable housing in the region?

Mr. Seiling: As you know, municipalities have the responsibility for social housing and affordable housing. We were probably one of the first municipalities in Ontario to take up that challenge. We took the savings that we accrued when the previous government produced some savings for us. Instead of reducing mill rates, we took that money and put it into a fund, and that's how we fund our share of affordable housing projects. Subsequent to that, both the province and the federal government have come along.

The concern we have here is that the most recent provincial-federal agreement, I understand, allows the province to sort of front-end the federal money while it gets in a better financial position to bring its share up. My concern is if the federal money disappears early on, the senior level of government—when I'm talking senior, I'm talking both levels of senior government for us—degree of support disappears. We'd be concerned and hope that the province is vigilant in making sure that those funds continue.

Mr. Prue: The province has promised some \$300 million, but it's spread out over 20 years.

Mr. Seiling: Right. I don't know the intricacies of the federal-provincial agreement, but I do know that because the province was in a bit of a bind, the province negotiated with the federal government to allow the federal money to flow in the first instance and then the provincial money would build in the latter years of the agreement. Somebody can correct me if I'm wrong on that, but I think that's the way it works. So that adds approximately \$25,000 to \$27,000 per unit available for assisted housing.

Mr. Prue: In terms of the assisted housing you already have, in the city of Toronto, as an example—and we've heard from other municipalities—the state of that stuff that was downloaded is deplorable. Toronto's looking for \$242 million to bring it to code. Do you have the same problem here?

Mr. Seiling: Yes.

Mr. Larry Ryan: Not to the same degree.

Mr. Seiling: Not the same degree.

Mr. Ryan: We actually undertook a facility study on all those units—I think it's about four or five years ago—and the funding gap was, I believe, around \$70 million for those specific units. So yes, we have a problem, and we did quantify that funding shortfall to be about \$70 million.

Mr. Prue: Are you looking to the province to assist in fixing it up, to bring it to code?

Mr. Ryan: Absolutely.

The Chair: Now I'll go the government.

Mr. Milloy: Thank you very much for the presentation. Again, as with the last one, being a local representative, I obviously have a good overview of some of this, but just to put it on the record and to explain to other committee members, I was wondering if you'd spend a minute on really the sort of re-urbanization and the forward-looking notion of the plan, especially when it comes to building the transit corridor and the region's light rail system.

There was a presentation this morning where they spoke about how our downtown in Kitchener-Waterloo is suffering. I just wanted you to comment a bit on how the region's sort of looking forward for 10, 20 years and beyond and how this is going to help with the re-urbanization.

Mr. Seiling: I think it's common knowledge that transit is the key to the urban forum and good planning, and that's very evident. I think we in this region are

where the GTA was 25 years ago, when the province sort of got out of the planning business. We see the results of 25 years of lack of good planning and good transit in the GTA. So we have an opportunity to be ahead of the growth here and we have an opportunity to put in a transit system that really begins to move people and begins to attract investment to those core areas, because if we're not going to flop out in to the rural areas, if we're not going to have a lot of greenfield development, we've got to encourage the redevelopment of existing areas, and we believe that's possible.

We look very heavily to Portland and other communities like that in the United States to see their experience and have seen the great successes they've had and what in fact a rapid transit system does. Even in Toronto, when you sit in the Legislature, you can see what's happened along the subway lines in Toronto to get a clear indication of where people are prepared to put their money, and we don't believe that we'll have the success in drawing the density and the kinds of investments without that kind of support. The suggestion is that rubber-tired buses can do that. The experience elsewhere is that people want to know that a rapid transit line is going to be permanent before they put their money down on the table to do that kind of development.

We think this is critical, and we have a unique situation here where we have the three major urban centres on a linear pattern, surrounded by the rural areas, and we believe that we're very well situated. We just completed, last year—the province is currently helping us fund the EA on the system. The federal government funded the feasibility study, which was tabled late last year, which proved to the federal government that the system was feasible and practical and very much a good project for the future.

The Chair: We'll move to the official opposition.

Mr. Barrett: As you've indicated, you're a fast-growing community, about 500,000 people now and a projected 46% increase in the next 25 years or so. Are any of your residents opposed to that kind of what I would consider phenomenal population growth in this area?

Mr. Seiling: I would say there are voices out there that aren't happy with growth. That's true in any community. I think there are lots of people who like their communities to stay exactly as they are. I think the reality is that where we're located in southern Ontario, the growth is going to take place. The question for me, really, and for many of our people is, if it's going to take place, how do we shape that growth, how do we make sure that it doesn't destroy the things that are important to us, and what's the best form that growth can take? That's why we've embarked on this major planning program. Ours actually predated the province's by about two years.

Mr. Barrett: Say, there's another 200,000 people or more coming; will many of them be in high-rises downtown or will you be taking up more farmland?

Mr. Seiling: We're trying to take a balanced approach. The provincial objective is that 40% will have to

be within the redeveloped areas. Those are within the existing urban envelope. We've done a lot of work here already with the area municipalities and how that growth can take place. We don't see it all as high-rises; we see it as increased density in development, with two- and three-storey walk-ups, for example, on main streets. There may be higher-density apartment buildings, but we believe that given the land inventory that we've done and the ability to redevelop, we can accommodate those kinds of densities without having a community of skyscrapers. We don't believe that's the case.

Mr. Hudak: Great to see you again. Thanks for the presentation.

The opposition can claim a victory from time to time, and there's an announcement today that we are very pleased to hear, that the government has admitted that its OMPF funding model was flawed last year, that in fact they had reduced funding to municipalities. They announced today that municipalities will be receiving more money under the OMPF on a one-year basis. Cambridge, for example, will get one-time funding of a quarter of a million dollars. Here is a similar amount and the region of Waterloo will receive one-time funding of \$129,000. There's some news to help meet the failings of the OMPF formula. It's one time. Do you think that instead the government should move to more permanent funding, as opposed to going one year in, one year out?

Mr. Seiling: Well, not being an expert on that formula, I quite frankly have some questions about how that formula was derived. I know there's no magic in those kinds of formulas. I think, personally, that there are other factors that have been taken into account in creating that; for example, it's based on social assistance case loads and weighted assessments and that sort of thing. I think—and I'm not speaking for ourselves here, but for rural municipalities—EMS is a major factor that should have been factored into that formula. That really disadvantages rural municipalities in Ontario.

I was taken aback last year when the city of London got a windfall of \$13 million. The city of London isn't really that much different than the region of Waterloo. I'm not here to criticize the formula, other than the fact that I'm not quite convinced that it meets the mark, but then, no other formula prior to it did either.

The Chair: Thank you for your presentation.

ONTARIO ASSOCIATION OF OPTOMETRISTS

The Chair: I call on the Ontario Association of Optometrists to come forward, please. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning. I would ask you to identify yourself for the purposes of our recording Hansard.

Dr. Derek MacDonald: Certainly. It's my pleasure to be here. I'm Derek MacDonald. I'm currently president of the Ontario Association of Optometrists and a practitioner here in Kitchener-Waterloo. I want to thank

the committee for giving us this opportunity, kind of as a last-minute stand-in. We appreciate the opportunity to speak with you today.

1340

In fact, many past presidents of our association have spoken before similar committees over the past number of years to express concerns that are basically very similar to what I'll express to you today: concerns about the impact that health care policy-making decisions are having on our patients; concerns about the lack of recognition for the important role that optometrists play in the provision of health care in Ontario; and, unfortunately, concerns that have not been addressed for nearly 17 years.

This submission will focus primarily on our recommendations to help ensure that Ontarians—particularly our seniors, our children and those with sight-threatening diseases—will continue to have access to OHIP-insured care in as convenient a manner as possible. I'll touch on three major areas:

(1) We want to ensure that optometrists are given the opportunity to actually negotiate with the government for appropriate compensation for their OHIP-insured services.

(2) We want to allow optometrists to prescribe therapeutic pharmaceutical agents.

(3) We want to have recognition for the important role we play in the cataract surgery wait time strategy.

A little bit about optometrists and about our association, the OAO: We're front-line, primary care practitioners responsible for delivering the vast majority of primary eye and vision care in this province. Patients visit optometrists in over 220 communities across Ontario for services that include, most commonly, a comprehensive eye examination and treatment in the areas of refractive status, oculomotor status, sensory status and overall eye health. We also work in co-operation with physicians in the management and diagnosis of systemic disease, including, most commonly, diabetes and hypertension, and the diagnosis of their associated ocular complications. The association itself is a voluntary group that represents optometrists in Ontario. We are the official designated negotiating body for optometrists under the Commitment to the Future of Medicare Act, 2004.

A rather dubious anniversary arises here. As of April 1, 2006, Ontario's optometrists will have gone 17 full years without a fee increase for the eye care we provide to OHIP-insured patients. In fact, the last funding agreement with the Ontario government expired six years ago. While our fees have been frozen for 17 years, the costs that are incurred in providing those services are certainly not.

We've provided successive governments with recommendations to address this funding strategy, recommendations that recognize both the fiscal and the social constraints that face the governments of the day. However, it has appeared, time and time again, that government is only interested in policies that place the

financial burden of providing this care squarely on the shoulders of our profession. Our members, after this long length of time, have found it very frustrating to watch governments of all political stripes recognize the important contributions of other health care providers—including dentists, doctors and nurses—through repeated salary and fee increases, all the while ignoring optometrists.

We've repeatedly tried to persuade the government and the Ministry of Health to return to the negotiating table, since our last agreement expired six years ago. We're classified as designated practitioners under the Commitment to the Future of Medicare Act. That recognizes optometrists, doctors and dentists as health care groups that provide Ontarians with essential health care services. The government has chosen to negotiate and reach an agreement with the OMA. They've chosen to negotiate and reach an agreement with the ODA. However, in June 2005, we were told, "The ministry is unable to enter into any funding discussion with your organization at this time."

Frankly, the treatment of optometrists under this act is discriminatory. We've been named a designated practitioner, and as such, provide an essential service, but we're precluded from balance billing, and the government refuses to negotiate an equitable and sustainable funding schedule for us. The government's actions are jeopardizing the very services they deemed essential and sought to protect. Our members are very upset at the low priority being given their issues, and we'd strongly urge this committee to recommend to the government that they enter into true negotiations with OAO to work out a new funding and service delivery agreement.

Many people within the government apparently believe that the financial hardships that we claim were addressed in the 2004 budget with the deinsurance or delisting of routine eye exams for healthy adults. In 2004, our recommendation to the government was to follow the advice of the OHIP Optometry Services Review Commission, or OOSRC. This commission, in its year 2000 report, which was a joint report between ministry and association, recognized that in an environment of limited financial resources, there was some merit in focusing the optometric care available on those deemed most vulnerable and most needy. However, the commission advocated that if the government had to delist any services, it must reinvest any savings from that delisting into the primary care services that remain insured, namely those services now provided to children, seniors and adults with medical necessity. Unfortunately, this did not happen. The sad reality is that optometrists continue to lose money on each and every OHIP-insured service we provide. Delisting healthy adults did not make it any cheaper for us to provide the insured services. However, the government expects us to make up this loss on the backs of the newly uninsured population.

If we put the ethical issues associated with that aside and just speak pragmatically, optometrists have not seen their incomes rise, on the whole, since delisting. We

continue to lose money on what we've been professionally trained to do: deliver high-quality, comprehensive eye care to those in our exam rooms. This situation obviously cannot continue. The government's repeated refusals to address this issue have already begun to impact accessibility to care for those still insured: children, seniors and medical-risk adults.

The reality we all recognize is that the population is aging quite rapidly. According to StatsCan, this rapid aging is projected to last until 2031, when seniors would account for between 23% and 25% of the total population of Canada. Already, almost one quarter of the country's seniors reside in Ontario. The number of senior citizens who visit their optometrist annually has doubled in the last 15 years. More than 85% of the senior population have significant refractive errors that impact their quality of life and require regular care. The aging population is also more susceptible to eye disease, including glaucoma, degeneration of the macula and cataracts. Early detection lowers treatment costs, drastically reduces permanent vision loss and consequently improves quality of life. Compensation for seniors' eye exams remains frozen at 1989 levels. Many optometrists already consider OHIP-insured care to be a public service they simply cannot afford to continue providing. The expected increased demand for our services will only exacerbate this crisis.

I'll touch also on scope of practice expansion for optometric care to use therapeutic pharmaceutical agents. Despite being responsible for the majority of primary eye care in Ontario, the inability to prescribe TPAs prevents optometrists from providing the patients who present with diseases and disorders of their eye or eyelids or diseases like glaucoma with the treatment they expect and require. This limitation means that such patients cannot avail themselves of treatment and obtain immediate and efficacious care from their optometrist. Extending the current scope of practice of optometrists to include prescription of TPAs would help alleviate the demand on scarce physician resources by keeping patients who require this treatment for eye conditions out of ERs and physician waiting rooms.

The Chair: You have about a minute left for your presentation.

Dr. MacDonald: I want to thank Mr. Kormos for being very proactive on this issue through his introduction of a private member's bill.

My last point is cataract surgery wait times. In recent months, the Ontario government has invested time and funding in its wait-list strategy for many procedures. We certainly support ensuring patient access to health care services, but were disappointed to learn that the cataract surgery wait-time strategy fails to consider the important role we play in getting patients to the surgeons to begin with. It's optometrists who provide the majority of pre- and post-operative care, it's optometrists who identify cataract patients and refer them, and, unfortunately, it's optometrists who may no longer be available to provide these services if an equitable and sustainable funding agreement is not reached.

In conclusion, three key points:

We've been without a fee increase for nearly 17 years, and without a negotiated agreement for nearly six. It's time we were treated fairly by the government and given a chance to negotiate;

We have the training and expertise required to prescribe TPAs and should be permitted and compensated fairly for doing so; and

We should be included as a critical part of the government's cataract wait-time strategy and included in its implementation to ensure its success.

Thank you for your time. I'd be happy to entertain any questions you may have.

1350

The Chair: Thank you. This round of questioning will begin with the government.

Mr. Wilkinson: Thank you. Now, you're an optometrist?

Dr. MacDonald: That's correct.

Mr. Wilkinson: That's great, Doctor. A couple of questions. I talked to my own optometrist, Dr. Linda Bathe in Stratford. The TPA: If you're granted that, does that shift the cost so that you'd be paid for that, or is it just giving you the ability to write the prescription?

Dr. MacDonald: There would be a two-part strategy there. We'd need the authority first with an extension of scope of practice, and that simply would allow us to do what we're trained to do. It wouldn't require additional training. We have that background already. There would need to be remuneration for those services, but those are services that are already remunerated through the health care system through family physicians, ERs or ophthalmology. The studies we've done actually show a net decrease in cost because of the elimination of a secondary referral. When a patient comes to my office, I'll bill for that, obviously, and then refer them on for a second billing. It could be handled in one billing through optometry.

Mr. Wilkinson: My second question: All these years without a fee increase, so basically your business model is that you end up really subsidizing doing the primary care which you're trained to by being in the business of selling eyewear.

Dr. MacDonald: That's correct. And now there's a second "subsidy" through the uninsured population.

Mr. Wilkinson: If that fee were to increase, from an economic point of view, would that accrue to just your bottom line or would there be savings to patients? I know the question about access, but everybody's making money. I don't know of any optometrists who have gone bankrupt. I don't mean to insult you, but you're making money. I'm just trying to say, if we did that, where would that benefit accrue? Would it accrue just to optometrists? Would it accrue to patients? Would it accrue to the health care system?

Dr. MacDonald: We're finding right now, and one thing that Dr. Bathe may have mentioned—she's the vice-president of our college, our regulatory body, right now. They've expressed some real fears about the

standard of care and the quality of care. In eye care, like health care, the technology is exploding. There are many techniques that are available to improve diagnosis and care of a lot of procedures, but like anything else, those cost money. Right now, our college president has expressed in written form his concerns that the lack of equitable funding for the majority of the population is going to preclude us from providing that proper care for them.

Certainly the benefits would accrue to the population in that manner, by having better access to better care. I think as well it would probably prove beneficial just in allowing a little bit more time spent with the patient. Right now, with losing essentially \$20 on each exam you provide to a senior, you face those competing interests: Do I maintain the financial viability of my practice, or do I provide the best quality of care and talk with that person whom I've enjoyed seeing for the past 15 years? There will be some economic benefit for optometry, no doubt, but I think that's secondary to accessibility in this case.

The Chair: Thank you. We'll move to the official opposition.

Mr. Barrett: Thank you, Doctor. We know a couple of years ago there was a change in the way chiropractors, physiotherapists and optometrists accrued money for their services. There was a juggling there. I just wonder how that worked out. Could you just walk through with me how that works? I obviously haven't been to an optometrist for a while, because I can't even read your logo.

Mr. Hudak: It was a test.

Dr. MacDonald: I'll leave you with a card before I go, maybe. I've got a good friend in Simcoe who could take care of you as well.

Mr. Barrett: Yes. For example, an eye exam costs about \$58.

Dr. MacDonald: That's correct.

Mr. Barrett: So people who come in now dig into their own pocket to pay for part of that, and part of that is funded by the government. Could you just give me a more detailed breakdown—

Dr. MacDonald: Prior to November 1, 2004, everyone in Ontario was insured for an eye exam every year or two, depending on age, and that fee was \$39.15. It hasn't changed since 1989. Post-November 1, so for the past 14 months or so, the only insured people remaining are 19 and under, 65 and over, and those adults with "medical necessity," who qualify for a certain exemption, if you will, based on their health condition. The exams for the children and the seniors are still reimbursed at \$39.15. The economic studies we've done show that it costs, on average, \$58 in overhead, equipment, salaries etc. to provide an exam regardless of whether it's a six-year-old or a 96-year-old. So what it boils down to is, if the patient is reimbursed at \$39 we're losing \$19 per exam. For the patients who come in and pay out of their pocket, an average fee varies from place to place in the province, depending on the economies of the region. I charge \$79 for a full exam in my office. In

that case, I'm making money on those. I'm losing money on the others.

Mr. Barrett: The citizen would pay the full \$79?

Dr. MacDonald: Correct. For those patients who are deinsured, there's no coverage from OHIP at all. Many third party players have picked up that coverage through some of southwestern Ontario. What we're left with, though, is basically subsidizing the care for the insured by the care for the uninsured and the eyeglass prescription that was asked about before. We're faced with the fact that the people who need our care the most, the children and seniors, who are most vulnerable in their youth and in their old age, are reimbursed most poorly, and they're the ones who will face lack of accessibility.

The simple fact is that optometrists are looking at their bottom line and saying, "I can't afford to see as many seniors as are calling, because the more I see the faster I lose money." They're being forced to limit the care they provide simply to keep their offices open.

The Chair: Now we'll move to Mr. Prue of the NDP.

Mr. Prue: Would it be fair to say that you are, as a result of being delisted, making more money today than you made before?

Dr. MacDonald: Incorrect.

Mr. Prue: You're making less. Are you seeing fewer people, then?

Dr. MacDonald: When the government made this prediction and the infamous "gave you a raise" comment came out, the math they did was, "We've deinsured half the people and now you're charging twice as much so you're making 50% more." The simple fact is, when you deinsure the population not everyone comes when they have to pay out of their own pocket. So we're seeing a double-edged sword here. Yes, we are finally making money for our diagnostic services, a long-overdue situation, but we're seeing fewer and fewer of those uninsured patients because they're basically putting their care on the back burner and not coming in for the care. When you combine that with the fact of being reimbursed at a loss for the insured population, they're also going to face accessibility issues; not from their own choice but from necessity.

Mr. Prue: I would take it the people you're not seeing are mostly those who simply can't afford it. You're not seeing welfare—I guess welfare cases might be covered. You're not seeing people who make minimum wage; you're not seeing people who are struggling financially, young families and stuff like that.

Dr. MacDonald: The working poor, exactly. Those who either can't or won't afford it, who have to make those tough choices between their health care and groceries, that sort of thing.

Mr. Prue: The one question I have is, the OMA has to be one of the strongest unions—they say they're not—in this country. They go toe to toe with the minister. They stare him down. They reject a contract. They get a better contract. It's debated in the Legislature. They do it every couple of years. Is there any lesson for you to learn from them? You want to negotiate but nobody ever stands up

and says, "We're going to cut you off; we're not going to deliver the service; we're not going to do this; we're not going to do that." You're not precipitating a political crisis and forcing the minister and the government to act, and I wonder why.

Dr. MacDonald: Not wanting to blow our own horns, but we're inherently nice people.

Mr. Prue: And that's the problem.

Dr. MacDonald: That may be the problem. For 17 years we've kind of had this forced on us. We are also 1,300 strong in the province; we're not 26,000 strong. When family doctors and physicians choose to close ERs and increase wait lists, the effects are felt instantaneously. With a group of 1,300 practitioners, it would take a little bit more.

We did employ a strategy similar to that with our visual field issue a couple of months ago, where we were simply not able to perform that service. We were forced to withhold that service. Through the support of the ophthalmology practitioners in the province, who suddenly were inundated with this, we did receive a long-overdue fee increase for that.

We don't want to withhold services. We don't want to use our patients as "pawns." We haven't done that in 17 years. We don't want to have to resort to that, but in reality, it's getting closer and closer to inevitable.

The Chair: Thank you for your presentation.

For the committee, our 2 p.m. presentation has cancelled, so we will recess until 2:20.

The committee recessed from 1400 to 1423.

RETAIL COUNCIL OF CANADA

The Chair: The standing committee on finance and economic affairs will now come to order. I believe we have our 2:20 scheduled presentation here now. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Ms. Ashley McClinton: Thank you and good afternoon. I hope I didn't hold you up. Maybe my running late gave you the opportunity for a quick break.

My name is Ashley McClinton, and I'm with the Retail Council of Canada. I'm the director of government relations in Ontario for RCC. Thank you for the opportunity to appear before you today. I'll try to move through my presentation quickly. I do have quite a bit of information, but I'll move through it quickly so that we do have time for questions at the end.

RCC has been the voice of retail in Canada since 1963, and we represent an industry that touches the lives of most Ontarians. Like most associations, we're not-for-profit and are funded through our dues revenues. Our more than 9,000 members represent all retail formats: mass merchants, independents, online stores and specialty stores. While we do represent the large mass merchandise retailers, in fact 90% of our membership is small, independent merchants. Over 40% of our membership is here in Ontario and those stats, both in terms of

size and distribution, are consistent with the industry averages as well.

The retail industry is dynamic and fast-paced. Nationally, it contributes more than \$350 billion annually to the economy. In Ontario, we're currently posting at \$109 billion as of October 2005, but we expect that to push up to about \$130 billion at year-end, when the final numbers are in, which is about 5% of Ontario's GDP.

Retail is the province's second-largest employer, with more than 760,000 employees in this province. I think it's actually a little-known fact that we're the second-largest employer. We rank right behind manufacturing. In terms of scale, we're well ahead of the health care sector, the tourism industry and others. So it's just a huge industry in terms of employment.

There are two charts in your presentation that give you a little bit of a breakdown of what retail looks like across the provinces in some of the major metropolitan areas, both by number of establishments and number of employees. They're in the retail profile section at the back if you're interested.

As I said, the retail sector does reach every corner of the province, but it is dominated by small business. The majority of retailers employ fewer than four people, and almost half of the retail businesses in Ontario are classified as "indeterminate," which means they have no payroll, so they're really mom-and-pop shops and sole proprietorships; they don't employ a single person. Approximately 70% of the retail sector has sales of less than half a million dollars, and 89% of the retail sector has sales of less than \$2 million, so we really are just talking about smaller micro-business. We talk about the Wal-Marts or the Home Depots or Sears, but they're just 3% of the industry overall.

With respect to sales, our research shows that Canadian retailers enjoyed solid, steady sales growth in 2005. The total national retail sales for the year-to-date are more than \$300 billion, which is up 6% over 2004. With respect to sales for Ontario, they are lower, unfortunately. Year-to-date sales show Ontario's growth at 4.7%, which lags behind the national average. The four western provinces are posting sales growth rates that are significantly stronger than Ontario, as is Quebec, with some of the Maritime provinces posting slower sales growth. Ontario has widely been identified by RCC members as their weakest sales market.

RCC did predict this slow sales growth year in our pre-budget submission last year. At that time, we noted that the new tax levied in the 2004-05 budget, the Ontario health care premium, was likely the principal reason for the drop in Ontarians' spending in 2004 and cautioned that the trend would continue once it was fully phased in in 2005. We did an econometric analysis last year through StatsCan to provide a measure of the impact of the health premium on household disposable income. At that time in 2004, Ontarians were scheduled to lose, according to this analysis, about 0.3% of their disposable household income and about 0.5% when fully phased in in 2005. So Ontarians hit the hardest have disposable

incomes of about \$35,000 to \$100,000 and, for these families, the average loss of household disposable income was about 0.8%, or between \$400 and \$871 each year, which is a significant amount of money for most households, as you can imagine. The effect of the greater average loss of disposable income in 2005 was exacerbated by increases in gas, natural gas, oil, electricity costs and so on.

Looking forward, RCC expects sales performance in Ontario to grow slowly again this year, steadily, but at a rate lagging behind the national average again. In particular, the increase in energy prices that started earlier in the year has removed considerable spending power from consumers, and we believe that this will show up in slower retail sales growth in 2006.

As we all know, retail sales are a barometer for the economic health of Ontarians. What do all these figures mean? When the finance minister appeared before this committee in December 2005, he noted that Ontario consumers were benefiting from continued low interest rates, a great job market and rising incomes. Overall, we absolutely agree: The economy is doing great. However, at a briefing on Canada's economic outlook for 2006, which was held by the chief economists of the five national banks, the message was pretty clear: While Canadians do feel that the economy is doing well, they don't feel that those benefits have flowed through to them. So Canadians believe the economy is doing better than they are.

We tend to agree with this assessment, and we're becoming a little bit concerned about the economic situation of Ontarians and their future standard of living. Specifically, in recent years, retail sales in Ontario have actually outpaced the growth in Ontarians' disposable income. Real personal disposable income per person, of course, is a key benchmark for the standard of living and people's spending power.

1430

We did another analysis this year. We asked StatsCan to track PDI in Ontario between 1990 and 2004. We did this at the federal level and for all provinces, using 1998 constant dollars. I'm going to rhyme off a bunch of numbers here, but if you want to follow along, they're on page 9 in your presentation. In 1990, the average Ontarian had a personal disposable income of \$20,914. By 2004, it had risen by a mere \$431, to \$21,345.

An economic simulation from StatsCan commissioned by RCC also reveals that the budget policies of the government of Ontario provided Ontarians with a substantial decrease in their personal tax burden the decade between 1990 and 2000. But since 2000, that momentum has been reversed. Ontarians have seen their tax burden increase from an average of about \$4,520 per household in 2000 to a projected \$5,303 at the end of 2005, which is a \$783 increase, or 17%, in the average tax burden on the average family in Ontario. The jump from 2004 and 2005, which you can see in the graph on page 9, is especially noteworthy, and that is owed to the implementation of the health premium in that budget.

We believe it's not coincidental that surveys of our members do show Ontario to be one of the weaker regions for sales, and the sales figures are confirming this. However, if one were to look at just retail sales alone, they are increasing steadily, even if slower, and so the economic situation doesn't appear to be as disadvantaged as the simulation indicates.

How did Ontarians accomplish this when their incomes have remained relatively stagnant, which is true right across the country, in fact? It appears to us that consumers, while taking advantage of the lower cost of borrowing, have actually reduced their savings and increased their personal debt loads. While we're certainly not economists at RCC, and I don't purport to be one—we don't necessarily have the resources to truly do an analysis of this kind—we believe that the apparent health of retail spending may not be such a positive sign for the future, but in fact an implicit warning, as the strategies that Ontarians appear to have been using to enable them to maintain their standard of living are simply not sustainable. Ontarians are running out of room to manoeuvre, as economic events and trends such as increased energy costs take a greater bite out of their disposable income. So this year we believe Ontarians are going to need the help of their government if they're to be able to maintain their standard of living.

The overarching message from our membership today is that the central role of government should be to sustain standard of living and consumer confidence. That needs to be done by removing impediments to growth, obviously by balancing the increases that have already been done with the stabilization of spending. We would like to see a balanced budget, of course, as soon as possible. If Ontario is to be the engine of our nation's economy, it must work immediately to improve its performance. Fiscal policy: Generally, we advocate a balanced approach of targeted tax reduction, debt reduction and a strategic investment in infrastructure and services to secure a healthy and prosperous future.

I'll just move on to a couple of specific recommendations that are in the report as well, if I have time. The first one I'd like to talk about is training tax credits. It's the second one in your book. As I've mentioned, the retail sector is in fact the second-largest employer in this province. Like many industries, it's facing a severe labour supply crunch in the years ahead. We as a sector have identified this as one of our top priorities, and we've thrown considerable resources, both staff and financial, behind it. We've launched what we call the "retail as a career" initiative, which has training modules such as retail first-level managers and sales associates. It's really to help people who enter the retail workforce to see it as a career path and work their way up through the ranks to management.

When the finance minister appeared before the committee in December, he noted that the government had invested considerable resources in our greatest asset, our people, through post-secondary education and training. We agree. One of those initiatives is the em-

ployer training tax credit. We think this is a great initiative. However, it's geared primarily to the construction, industrial and manufacturing sectors. What we're asking today is that you consider extending the training tax credit to the service sector, particularly the retail sector, so that more employers can benefit from this initiative and help develop the skill sets within our industry. We think that's a really positive thing the government can do, and it's certainly in line with the government's priorities there.

The Chair: You have about a minute left for your presentation.

Ms. McClinton: Thank you. I'll just highlight a couple of other ones, then.

Environmental levies are becoming a huge issue for our membership. We're involved in about 30 recycling programs across the country, involved in the board of Waste Diversion Ontario and the blue box program here, as well as others. Our members support these programs, but given the significant impact they have on business and consumers, we feel that the Ministry of Finance should play a more active and engaged role. We'd like for the ministry to advocate for harmonization, and as well, to ensure transparency, we're calling upon the ministry to recommend that retailers be allowed to show levies on the sales receipt.

There are also a few other presentations in your binder, at the end, regarding harmonization of the GST and PST, which is a long-standing issue for our members, as well as some tax simplification issues, which I can talk about in more detail if there are questions. Thank you.

The Chair: Thank you very much for the presentation. We begin this rotation with the official opposition.

Mr. Hudak: Ms. McClinton, thank you very much for your presentation. We're very pleased the Retail Council of Canada has taken the time and delivered such a comprehensive brief to the committee.

You made an excellent point early on about the impact on real disposable income of Ontario consumers due to the so-called health tax, which I think we all know simply goes into the consolidated revenue fund. We don't even know if those dollars go into front-line health care, and I think if you quiz most constituents here in Kitchener, they'd say they're paying more and receiving less in services.

We calculated that the loss in the pocketbook from the higher taxes, higher fuel rates, higher hydro, higher natural gas and home heating is about \$2,000 for a typical Ontario family, which we're sadly seeing reflected in Ontario's poor performance, relative to other provinces, on the retail side. Do you see this unfortunate trend continuing in terms of Ontario lagging behind the other provinces on retail sales?

Ms. McClinton: Unfortunately, this isn't the first year that Ontario hasn't been a leader in terms of retail sales. In 2004, we were behind the national average as well. However, I should point out, in terms of the average provincial tax burden, that is one reason that Ontario will lag, but there are others as well. We don't enjoy the

resource-based economy that the western provinces do that are experiencing a boom right now, which is reflected in their much higher than average growth. I believe it's over 11% in Alberta and 8% in Saskatchewan. Certainly, we'd like to see more money put back into people's pockets. Whenever there is a change in tax or transfer policy that affects consumers, retailers see that immediately in reduced sales.

Mr. Hudak: The two big issues that we've heard about across the province at this committee are the impacts of hydro rates, which are impacting on businesses and, I expect, consumers' disposable income; and secondly, the loss of manufacturing jobs in the province of Ontario. Sadly, the southwestern part of Ontario, the K-W area and Wellington, have been hard hit, with some major companies closing their doors. Do those types of numbers also pop up in retail spending—the impact of industrial job loss and hydro rates?

Ms. McClinton: Absolutely. In terms of industrial job loss, that's going to have a ripple effect, but it's also going to have a very obvious effect in the community in which those job losses occurred, in terms of the consumers who are spending there.

I guess I can just give you a little bit of background in terms of the effect of what the numbers represent. Here, they are only transfer tax and tax policy decisions. So there are a variety of factors not included in these that would have an effect on consumer spending.

The Chair: Thank you. We'll move to Mr. Prue of the NDP.

Mr. Prue: I listened intently to try to see exactly what you are asking the government to give you, and what I heard loud and clear was a training tax extension. I heard a little bit about changing some of the environmental levies and possibly the harmonization of the GST and PST. That's not a very long wish list.

Ms. McClinton: You're right. Our choice was not to come here with a laundry list of things to ask for. We believe we're a huge contributor to the economy, and part of our role is educating people on what retail does for the economy and the health of the economy right now. There are a few other issues in your briefing that we feel would be of benefit to consumers and retailers specifically. Generally, we'd like to see tax relief for consumers, especially low- and middle-income earners, and we think that would help retail sales and the economy in general, but we're not here to provide a laundry list of requests, no.

Mr. Prue: Well, it may, but the government is running a deficit and has a number of programs that it's been unable to finance—important things. Would you be looking to a tax decrease for consumers that would severely impact running a balanced budget or doing away with some of the programs that I think they sorely wish they could do? I mean, that's what you're asking. It needs to be balanced, and I need to hear where you're coming from on this.

1440

Ms. McClinton: You're right: The budget does need to be balanced. It's going to affect consumer confidence

the longer it remains in deficit position, and we'd certainly advocate for a balanced budget. I guess what we're saying is that there is a variety of things that the government could be doing. When you look at how Ontario is performing relative to our neighbours and the rest of the other provinces, we are falling behind. We see that a large portion of that is because of the ongoing tax burden that Ontarians are facing. I think that's a decision for the government to make in terms of its priorities, but we feel that anything that's going to put more money back into consumers' pockets is a good thing.

The Chair: Thank you. We'll move to the government.

Mr. Wilkinson: It's good to see you again, Ashley. Thank you for coming in.

Just a couple of things: I find it interesting that you have shown that the impact on disposable income of the Ontario health premium ranges between \$403 and \$871 per family. That would be substantially less than the \$2,000 number that Mr. Hudak keeps on throwing around for this, so we thank the Retail Council for actually putting that in there, just so we have an idea of the total tax burden on disposable income.

My concern has to do with the fact that you've made some great suggestions to us about extending the tax credit to the retail sector, which is just a tremendous economic driver for this province; you're absolutely right. If we were all getting 400 bucks, like they get from King Ralph out there in Alberta—I think they're going to have a very good year in Alberta.

The other thing I want to thank you about is helping us on the energy conservation front. The Minister of Energy just announced the powerWISE program yesterday to raise that awareness, because that's absolutely key for us to be able to do that.

I believe my colleague Ms. Mitchell has a question for you.

Mrs. Mitchell: I just have a quick question, Ashley. First of all, I want to thank you for taking the time to sit on the small business agency. I feel it is an agency that can make a tremendous difference in dealing with the recurrent hurdles that small and medium-size businesses have to deal with.

But we also had a presentation from the Ontario Restaurant Hotel and Motel Association. They're in very similar businesses to what you do, and their report certainly doesn't reflect the same information as yours. You've only chosen to speak to the premium; you haven't chosen to speak to the other factors that affect the drive in the economy, whether or not it goes forward or slows down, so I want to give you the opportunity to speak to the other factors that are driving retail sales.

Ms. McClinton: Absolutely. I'm not familiar with what the ORHMA presented this morning; I believe they were in here to see you. But this simulation is exactly that: It's a simulation. It's a point in time using 1998 constant dollars in a perfect situation, so of course there are a number of factors outside of this. We're seeing retail sales, despite what we see as a stagnant PDI, increasing every year, every month; they're ahead of last

year. Yes, we're behind the national average. As you mentioned, Alberta is having a boom year; they're well over 11%. They're driving the national average up. We're saying that if Ontario is to continue to be the engine of economic growth, we want to get above that national average. We're not here to really fearmonger and say we're on the cusp of a recession in retail or anything like that.

The Chair: Thank you for your presentation.

ONTARIO COMMUNITY SUPPORT ASSOCIATION

The Chair: I call on the Ontario Community Support Association to come forward, please. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning. I would ask you to identify yourselves for the purposes of Hansard.

Mr. Claude Tremblay: Thank you very much. My name is Claude Tremblay. I'm with the Ontario Community Support Association, the OCSA. Tony Pierro is the executive director. I'm amazed at the barrage of information that you folks get, so we'll perhaps change the pace over to health care, if you can be so kind.

Just who we are: The OCSA is a not-for-profit, and we have 360 organizations as our members. The 360 organizations have 25,000 employees and 100,000 volunteers. What we do for the ministry is that we basically do two thirds of all your community support services: The \$350 million of community support services is two thirds done by our member agencies. We do half of the \$1 billion that you invest in home care.

I thought the best way to illustrate the contents of this document was to share with you a personal experience. We all have aging parents, and I am no different. A couple of years ago, my father was diagnosed with terminal cancer, and I chose to bring him into my home to try to make the best of a bad situation. What we have as resources, in the ideal community in Ontario, would be something less than \$100 per day, if you look at the limitations put on the number of hours of personal support, on how much you can spend on a meal, on how much you can spend on transportation and perhaps an adult day care program. This represents a significant gap, in our mind, as to the alternative that was presented to me on the first day we had the pronouncement. I was offered a palliative room in a hospital setting for the duration of his illness. Various economists would tell you that the institutional setting is somewhere between \$500 and \$800 per day. So there seems to be a gap in the strategy of health care between the \$100 maximum you can have by keeping in the community, versus the institutional costs. The reasons are fairly obvious in that in the home care setting, the gas, the lights and the bricks and mortar are financed by the patient. This is a significant cost saving to you if the strategy for health care maximizes the amount of time that the client can stay where they generally want to stay: at home.

If we were to look at some of the research involved, we would have the usual, like Marcus Hollander, who studied the BC system throughout the 1990s and their investment in institutional settings. He pointed out that the community is an important part of your solution when it comes down to your overall health care situation. Squeezing the community and investing in the institution will only increase the overall amount of money being spent in health care.

So we would like to propose to you that we shift some of the onus. To reduce the incremental \$33-billion budget, and growing, you have to have something to go to as a solution. We see the setting of the community home as a key part of your solution when it comes time to reducing the 7% and 8% increases that you've seen in your health care budget. We see ourselves as part of the solution. The Romanow, the Kirby, the Hollander—these are all people who point to home care as part of your solution when it comes to getting a handle on the overall health care budget.

The model we have in Ontario is one that we feel will maximize every dollar you spend. Right now, within the \$350-million budget for the community support sector, for every 60 cents that the government puts in, the community agencies put in 40 cents. We do this by co-payments, we do this through fundraising. We believe in what we do, and that is basically why they are selling the poinsettias and everything it takes to deliver as much service as they can in your communities throughout Ontario. In addition, we have 100,000 volunteers. You get another bang for your investment, because these volunteers are a significant component of getting the service done at an extremely low rate.

So our pitch, our proposal, would be for an increase of \$75 million in community support services. These would be our personal support, the respite, the Meals on Wheels, the transportation. We would like to see an \$80-million increase in the supportive housing area. We recognize that this is a significant increase over the current \$350 million, but by putting this in place, we are setting you up to deal with the \$33 billion, ever-increasing health care budget. To some extent, it's a spending-money-to-save-money proposal that we are suggesting. Did I miss anything, Tony?

1450

Mr. Tony Pierro: I think the key is that we're a good investment, if the government and society want to better the whole health system.

Mr. Tremblay: That would be nine minutes?

The Chair: No, you have about five minutes left.

Mr. Tremblay: I don't have to take it. How about you guys take the questions? I think there's a fair amount of opportunity for questions. This thing has been well-publicized, as to home care as a solution, so I turn it to you folks, if you have some questions.

The Chair: I appreciate it. We begin this round with Mr. Prue of the NDP.

Mr. Prue: Thank you very much. What you've said today I have heard before. I heard it in the previous

government and I've heard it during this government. But it seems that every time we talk about health care inside the Legislature and the minister announces new expenditures, it's all geared to hospitals and none to where I think it would be very wisely spent: with you. This must be very frustrating to you.

Mr. Tremblay: Well, a non-partisan response is required. The community has had a 10% increase in the last 10 years, and the cost of living has clearly been more than 10% in 10 years. We show a long-term lack of investment in the community over the years, so we've lost ground. We've invested in institutions in a large manner, so we're following the BC example of the 1990s, which, of course, Marcus Hollander would suggest is not the way to go.

Mr. Prue: In my own community, they were extremely upset when the care agency that looked after most of our seniors was forced out, because they were forced to compete—it seemed kind of bizarre—on how much money they were going to spend and how much the government was going to give. Some other group that nobody knows came and took the contract away. How do you see this working? Because I know that nobody's been very happy in East York since Community Care East York lost the contract and somebody we don't know has shown up. I don't even know who they are.

Mr. Tremblay: I hope they're not the Red Cross. That's who I work for. Of course the RFP is a transition, and it is a hardship for those who are in transition. It's particularly hard on the clients, who do not necessarily appreciate what is going on. They don't see it as the Red Cross, Comcare, Paramed. They see it as "my girl": "Where's my girl?" That is really the tough part of that.

Mr. Prue: The government did this to save money. Do you have any idea—because I have never heard—how much money, if any, this saved? On a \$33-billion health budget, how much money did this possibly save, by getting rid of "my girl"?

Mr. Tremblay: I'm not aware of any studies as to the amount saved. The CCAC budget has recently started to increase. It was increasing rapidly since its inception, but kind of stalled out around 2000-01. You have to invest in whatever system you have as to who gets the actual provision of services. There are 40 providers out there that do home care, and I guess there needs to be some means to decide who should be doing that.

The Chair: Thank you. We'll move to the government.

Mr. Arthurs: Thank you for the presentation. Can you just run through again some of the numbers? Obviously, your funding request today is some \$155 million or thereabouts on top of the current \$350 million?

Mr. Tremblay: That's right.

Mr. Arthurs: In addition to that, and looking at page 12 of the presentation, you go on to speak of priorities for community support services funding. Are these increases to the base funding? Is this in addition to the \$75 million and the \$80 million, or is it within the envelope?

Mr. Tremblay: No. That is within the envelope.

Mr. Arthurs: Within the envelope. Given the number of service areas and what the demands are, how would you prioritize where the funding should go? If one had to cherry-pick a little bit from all of these services and needs, if one didn't have \$155 million, how would you prioritize?

Mr. Tremblay: We certainly did isolate the supportive housing in our document as the first priority. Ontario is not homogeneous. The basket of services is not the same in any particular community. The move towards the local health networks is a step in recognizing that it's not all the same model throughout. So I would hesitate to pick any particular service, because in some places, like where my father was, there were no meals and there was no transportation, but there was good hospice. The needs will be different someplace else in Ontario.

Mr. Arthurs: Having said that, a supportive housing environment would be a priority.

Mr. Tremblay: Yes.

The Chair: We'll move to the official opposition.

Mr. Hudak: I think my colleagues may have some questions, so I'll ask an opening question and then step back. You just talked about the LHINs and how you like the notion of a regional approach because different delivery agencies are different in various regions. At the same time, the government is consolidating CCACs from local delivery to larger, regional delivery. One of the common occupations of many of us, as MPPs, is to advocate for our constituents to get the care they need from the CCACs, which in my view will be made more difficult if they're collapsed into these larger regional entities. Our own Niagara CCAC is an example in my area. Do you have concerns about the consolidation of CCACs?

Mr. Tremblay: Living in Simcoe-Norfolk, we might. But more than that, I understand that the initiative to consolidate the CCACs is not an initiative that necessarily affects the 2,500 case managers, who clearly have to be in the community. This is where the action is. It's not necessarily at the executive director level or at the contract manager level that issues are happening for the client.

Mr. Hudak: So your understanding is that the people we usually interact with in the Niagara office and in the Niagara-on-the-Lake and St. Catharines area will still be there to call and make sure we get service; they're not going to be consolidated into some larger entity?

Mr. Tremblay: I'm not terribly concerned, so long as the investment in the case manager at the front-line level is maintained.

Mr. Hudak: So you think they'll maintain a local presence; the current place where I go and find them and talk to them will be maintained?

Mr. Tremblay: I understand that the buildings are not on the table, but I'm not terribly aware of that. From the perspective of the client, they're usually going to the client, not the client coming to the building. I find that this industry is very much in the home. So the case manager is in the home, the RN supervisor is in the home

and the personal support worker is in the home. You can't touch it, because you have to go to the homes. It's pretty rare that the executive director shows at the home.

Mr. Hudak: It's our interaction as MPPs to advocate for our constituents, to make sure they get service, and we benefit from having a local presence in that advocacy. I worry about its being swallowed up into some larger entity that will be much harder to contact.

Mr. Tremblay: The issues I would look at that could come out of the LHINs are that the contracts have not been established, are they going to be larger, how are they going to actually roll that out in the finer details, does it mean there's going to be more transition because they're moving to larger contracts that smaller providers can't handle? Those kinds of issues would be more along the details of the LHINs, but I'm not terribly concerned about the contract managers or the executive directors of the CCACs in the local service.

The Chair: Thank you for your presentation.

GTA/905 HEALTHCARE ALLIANCE

The Chair: Our 3 p.m. presentation has cancelled, but I'm advised that the GTA/905 Healthcare Alliance is here. Would you please come forward? Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I'd ask you to identify yourself for the purposes of Hansard.

Mr. Tariq Asmi: My name is Tariq Asmi. I'm executive director of the GTA/905 Healthcare Alliance. Mr. Chair and members of the standing committee, I want to thank you very much for the opportunity to share with you some of the information we have. We think this is of critical importance. I've shared with you the slide deck that I hope to be speaking from, as well as a document called Places for Care: Towards a Healthcare Strategy for Ontario's High-Growth Regions.

Turning to slide 2, when we had the opportunity to meet with Minister Duncan in the region of Durham, he posed five questions that he wanted us to bring forward and to offer recommendations and suggestions. Those were: to create a new generation of economic growth; to anticipate and address external challenges and risks; if spending is to increase, where should it decrease; what other measures do we have to offer; and finally, how can we best increase fiscal transparency and accountability.

1500

On the next slide, the GTA/905 Healthcare Alliance represents all the hospitals in the four regions of Halton, Peel, Durham and York. These are the fastest-growing regions in Ontario. When we met with Minister Caplan, he reminded us that Ontario is the second-fastest growing region in North America, so this makes the GTA/905 the second-fastest growing region in North America. We represent all the hospitals: the 10 acute care hospitals and the Whitby mental health facility.

The next slide, number 4, is Ministry of Finance data based on the 2001 census. It's very clear, and I think we all know this—indeed, the region of Kitchener-Waterloo

is in a similar situation in terms of population growth. The pace of growth in the 905 region far exceeds that of Ontario. Prior to 2004, it grew at triple the provincial growth rate of population. From 2004 on, we're talking about a population growth rate of more than double. They're aging at twice the provincial rate, and increasingly we're seeing greater cultural diversity and greater socio-economic disparities among the residents of these communities. So the pressure for care is not just population growth; it's aging as well as the special needs of the culturally diverse population.

The next slide is very simple, but it's worth thinking about: Each year, the 905 accounts for half the population growth in Ontario. That was prior to 2004, and it will be sustained well past 2004 into the future. This is a tremendous pressure. Half the growth in Ontario each and every year ends up in the 905. It should raise the question as to what proportion of new resources these regions are getting each year.

In terms of our recommendations, if we can speak about a new generation of economic growth, our key recommendation for you today is to act on your 30-year growth plan for Ontario, Places to Grow. It speaks of building complete communities to attract investment. To attract that investment, we all know that you need communities that have ready and timely access to local health care. This is a key factor that attracts investment and creates jobs with the associated income revenue for all.

You'll notice that the 905 communities make up almost half the targeted communities of Places to Grow, so investment in these regions is not only consistent in terms of meeting the population growth needs, but also consistent with the government's agenda in terms of building healthy, vibrant communities that will be the engine of economic growth in Ontario. So investment in the 905 is consistent with that key agenda.

The next slide: GTA/905 hospitals have had to do more with less because there has not been an ongoing basis of funding hospital growth using the funding formulae that are currently around. What we've done now is reverted to percentage increases across the board, which just makes the big bigger and the small stay small, regardless of their population health care needs.

Our hospitals are up to 30% lower in cost, so for the same service—for the same hip, for the same cataract, for the same dialysis—we provide care at 30% lower cost. So it's care close to home, better coordinated care and it saves the government money. When the government announced wait time funding, they had to provide to the teaching hospitals a 30% premium for the very same hip, knee or cataract. So we are lower-cost providers of high-quality care.

The next slide, number 8: The 905 region is growing. There are people there who will need health care. They're going to go and get it somewhere. The question is, where will they go? This model was actually prepared for the former Minister of Finance, Mr. Sorbara, when he asked us to create a model of what would be the cost to

address the health care needs of this fast-growing region of Ontario. The first bar shows that if we look at all the wait time services that are a priority for this government as well as growth in those wait time services as well as bringing care closer to home, it would cost, going into the future to 2007, \$188 million. If we don't move toward bringing better care close to home, the far right column shows the status quo will cost \$269 million going forward. If these people don't have the resources in their own communities and end up going to larger urban centres to the teaching hospitals, it will cost you \$300 million annually. If they go to other Toronto hospitals, it will cost you \$281 million annually. These are monies that will be spent, because these people will be presenting for health care. It's a matter of where you want them to go, where you encourage them to go, where you provide capacity to provide that care. In 905 hospitals, we save the government money.

The next slide shows the potential of savings. This is a table that was put out by the Minister of Health. It shows that the four 905 regions have the lowest local access to care. That means they're travelling outside their communities, and likely to higher-cost settings, in order to get their health care. We're suggesting that, given the low rates of local access to care, this is a wonderful opportunity to take advantage not only in terms of bringing service close to home but in terms of achieving savings to the health care system by making sure these people go to high-quality but lower-cost settings.

In terms of fiscal transparency, you should know that we in Ontario have not moved to an equitable, fair, population-based approach to funding health care, and for that matter, other social services. If we look at the fiscal gap that has taken place since 2003, we'll see that on a per capita basis—fairly weighted, age and sex adjusted and all those other things to make it a fair comparison—the gap in funding in the 905 has gone from a \$0.5 billion annual funding gap to an almost \$0.75-billion funding gap. We know this is not a gap you're going to close overnight; however, we're suggesting that to take advantage of the lower cost, to bring care close to home and also to bring about some more equity in terms of the funding of hospital services, we should start moving slowly toward addressing this gap and investing in the 905 so we can take advantage of the lower costs and also create these engines of economic growth for Ontario. You'll see that this slide is quite clear. There is a fiscal gap. There is no needs-based population.

If you move to the next slide, LHINs do not offer a solution. On a LHIN basis, GTA/905 LHINs are funded lower than the rest of the province. When we do these numbers, we exclude Toronto and northern Ontario to make it a fair comparison. LHINs are not a solution; actually, they perpetuate the gap.

In terms of the impact, slide 12, a study put out by the ministry shows that for nine of the 12 services they measured—for three quarters of those services—residents in the 905 have rates of access to care per 100,000 that are lower than the provincial average. For another nine of

those 12, they have rates of access to care that are lower than northern Ontario. Don't get me wrong; I'm glad northern Ontario has great access to care. But the fact that the 905 has lower rates of access to care is a concern. And for 40% of the services we are trying to reduce wait times for, the wait times are longer than for the rest of Ontarians.

The Chair: You have about a minute left.

Mr. Asmi: All right, I will finish up in a minute.

What are we suggesting? Places for Care is about a health care strategy for high-growth regions. It speaks about taking advantage of the low-cost environment that is there and bringing care close to home. It talks about taking advantage of the capital announcements that have been made and also about how to improve the distribution of health care providers.

1510

I'd like to say one thing to the government: Thank you very much. Through ReNew Ontario, the announcements that have been made around major capital expansions in the GTA/905 are a great start; they really are. It puts us on the road towards bringing care close to home and taking advantage of low-cost settings. However, we need to bridge between now and when these facilities are actually going to be operating.

My last slide, to conclude: If there are things that we can look toward, they are adequate and targeted growth funding for GTA/905 hospitals. Growth funding has not been announced. It was supposed to be announced in November and has been delayed. If there is adequate and targeted growth funding for high-growth regions, we will see us being able to take advantage of the lower costs, make our health care system more sustainable and bring better care close to home.

We think a health care strategy for high-growth regions is needed so we can move in an incremental way, because this gap isn't going to be reduced overnight; move incrementally to take advantage of these lower-cost settings.

Finally, as we move into local health integrated networks, we should take advantage of a wonderful opportunity to finally bring some equity to the funding of health care services and move towards a population-based funding formula for LHINs. Thank you very much.

The Chair: Thank you. We'll begin this round of questioning with the government.

Mr. Arthurs: Tariq, good to see you. I'm sure coming out to Kitchener-Waterloo—you probably would rather be somewhere in the GTA, but I appreciate the timing capacity to be able to get before us.

I think Mr. Hudak mentioned earlier that part of our role is advocacy, so I'm going to take the opportunity to advocate just a little bit. I'm going to ask a couple of questions that I hope will provide you the opportunity to frame a little more what you're trying to achieve, and really, just twofold, I guess, with the bit of time we have available.

Just a comment first: Once the hospitals have been announced, many in the 905 area, save and except

Hamilton, which is 905—we'll call them the 905 regions, so we can keep the city of Hamilton in its context. When they're up and running, a large amount of dollars will flow on the operating side. That will presumably help to close the gap, and that's one of the strategies, I guess. So we have to wait in part for that to happen.

What are the other high-growth regions that would benefit from growth-related funding outside the GTA?

Mr. Asmi: Thanks for that question, Wayne. The other regions that are fast-growing in Ontario are Kitchener-Waterloo and Simcoe. These are rapidly growing regions and, indeed, have the same issues around the fiscal gap relative to the provincial averages as the GTA/905. There is a region outside Ottawa which is growing rapidly as well, and certainly that region would benefit from targeted and adequate growth funding. Those are the key regions.

Mr. Arthurs: One of the other arguments that is made, certainly in the 905/GTA region, is the access to Toronto hospitals, with the number of hospitals and the population base. Reasonable access from a time standpoint is such that, when considering priorities, folks are able to travel in there fairly readily. How do you respond to that?

Mr. Asmi: In other regions, for example, where BC has waiting lists by hospital, it's shown that less than 5% of the people who are waiting actually want to leave their communities, be away from their families and their support structures to get these rather invasive procedures done. As well, we all know, if we commute on the 401, that the time involved to get to, let's say, Toronto hospitals is great and the costs involved to families are high.

As well, I'd like to remind you, teaching hospitals cost 30% more per case than community hospitals. This has been documented through OCDM, which is Ontario case demonstration model, the Ontario case costing initiative, and the joint policy and planning committee of the OHA and the ministry. So while that access can be there, though with some inconvenience and outside of your community, are we ready to say, in an issue with health care, whether it's sustainability issues, where we want to lower the cost curve, that we'd rather see residents leave their own communities, bypass their local hospital and go to a setting that costs you 30% more? That just doesn't seem to strike me as reasonable. As well, if we want to see additional revenue to government to pay for these health care services, we would want to create vibrant communities in the 905 that are going to attract the investment and jobs and generate the revenue.

The Chair: Now we'll move to the official opposition and Mrs. Witmer.

Mrs. Witmer: Thank you very much, Tariq. You've done an excellent presentation here. I would agree: I do support services as close to home as possible. I think the case that you've made here certainly demonstrates that if access was improved, costs could be reduced and services could be provided more quickly.

You stress in here the need—and I know you've got it in bold here—of making sure that the LHINs have population-based funding. Maybe you could just expand on that a little bit. What is your knowledge of what is going to be happening and what should happen and why?

Mr. Asmi: Thank you, Mrs. Witmer, for that question. Currently Bill 36 does not specify that the minister is to provide funding to LHINs on the basis of population. The section in the legislation is very clear that the minister will provide funding based on the terms and conditions the minister deems appropriate. We're concerned that with Bill 36, with a mandate to merge, transfer, amalgamate and ask health service providers to cease to operate, given the inequities in the LHIN funding and the need to balance budgets, there's going to be an undue amount of pressure on the 905 and other high-growth regions to merge, amalgamate and cease to operate services because of a lack of population-based funding. The legislation, Bill 36, does not in any way specify the terms and conditions under which the minister must allocate funding. We will be recommending that part of the terms and conditions be that the minister allocate funding to LHINs based on population size and characteristics.

Mrs. Witmer: Are there some fears in the 905 about services that might be amalgamated or integrated or disappear? Is there some concern that that might happen?

Mr. Asmi: That's an overall concern, given that Bill 36 has ministerial and LHIN powers to merge, amalgamate, transfer and cease to operate. With inadequate funding on a per capita basis, we are concerned that this will put pressure on us to unduly try to merge and amalgamate services when in reality we should be expanding services.

Mrs. Witmer: On page 12, you indicate that for nine of 12 procedures, the 905 residents have rates of access that are lower than the provincial average. Which procedures are you talking about?

Mr. Asmi: The procedures that were looked at were cataract, hips and knees, cancer services. There was, I think, cardiac. I'm sorry I don't have that but certainly I'd be able to share that with this committee. It was a report that was generated by the ministry in partnership with the Institute for Clinical Evaluative Sciences.

The Chair: We'll move now to the NDP.

Mr. Prue: It's a well-researched report. There's no question that growth is taking place in the GTA around Toronto and not in Toronto itself. I guess this would take a concerted effort by the regional chairs and the mayors of those municipalities to push the Ontario government to change its focus. I have not heard that from them yet, though.

Mr. Asmi: Actually, there were two resolutions that were passed by the GTA/905 mayors and chairs committee and were sent to the Premier, the Minister of Finance and Minister Smitherman. Because of the evidence that I've shared with you today, they have called on growth funding to maintain access to health care services in fast-growing 905 regions and most recently passed another resolution calling for fair funding, as well

as endorsing our document Places for Care, and they're very supportive of increasing the capacity in the 905. It's not a matter of taking from others; it's having the will to put in place policies that are fair and equitable, so incrementally we can move towards improving local access so that, when these facilities are built, we actually have a plan for the services to be provided in these facilities that have been announced, that will come into operation within the next two years and some that will come into operation in 2012.

1520

Mr. Prue: Again, I'm not disagreeing with you. It's just that I haven't heard this. If they sent it, they certainly didn't send it to the opposition.

Mr. Asmi: We did put out a release, and that was shared with all members. But if you didn't get a copy, I'd be more than happy to share all the releases and additional material with you.

Mr. Prue: There's nothing in here—and it's of concern to me, and I guess to my party as well—that these hospitals and these things when they're developed, and we think they should be developed, aren't P3s. You haven't said a word about whether these are going to be publicly owned or privately run. What are you expecting to happen, or do you care?

Mr. Asmi: We do care. In that document before you, Places for Care, we congratulate the government for having the foresight to invest in capital infrastructure, and we are supportive of the private financing initiatives because we believe a partnership between the public sector and the private sector to build the physical capacity is a good way to go in order to provide health care in the 905.

Mr. Prue: Even though that will probably end up costing the taxpayers more.

Mr. Asmi: If you look at the William Osler hospital in Brampton, it is coming in at a cost over the life of its building, because there are monies in there too for its maintenance and for its upkeep—in the long run come in on budget and on time.

The Chair: Thank you very much for your presentation.

ASSOCIATION OF COMPUTER ANIMATION STUDIOS OF ONTARIO

The Chair: Now I call on Computer Animation Studios of Ontario to come forward, please. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Ron Estey: My name is Ron Estey. I'm president of the newly formed Association of Computer Animation Studios of Ontario. We've been in existence for about three months, and we certainly feel that the time has come for an association of the 50-some animation studios that operate in Ontario to have a singular voice. I am that

voice today, and I thank the committee for providing me the opportunity to speak with you.

As I presented last year, I do not follow the notes that you have been provided with. I am going to just talk to you about computer animation and what it means to Ontario and why it is really the epitome of success of our educational system, public policy and the tax incentive policy of the Ontario government over the last 10 years. We call it the OCASE—which stands for the Ontario computer animation and special effects—tax credit. Currently, it refunds to the studios 20% of our eligible labour. If you come into one of our studios, you will see, fundamentally, young people educated in the Ontario educational system—Sheridan College, Centennial College, Seneca College and a number of private institutions which have provided really the fundamentals of computer animation for residents of Ontario and our young people.

Why is it important now? It's important now because of money, and I'm going to cite a few numbers to you in terms of why Hollywood particularly and the world are looking at computer animation as a viable and important part of filmmaking: *Shrek 2*, US\$912 million at the box office; *Finding Nemo*, \$865 million at the box office; *The Incredibles*, US\$630 million at the box office; *Narnia*, \$634 million. These are huge numbers that are fundamentally the outpouring of the creativity of young computer animators and computer scientists throughout North America. But Ontario has a particular heritage of computer animation that stems from a pilot program at Sheridan College about 25 years ago. The visionaries there felt that digital animation computer technology could be merged to produce a viable product for entertainment.

We are asking this year for two things: One is really a technical enhancement to the legislation and one is financial. I will mention that last year the Ontario government, in its budget, looked favourably on our request and made a technical improvement to the legislation, which has been in existence since 1997, really the first significant change in that 10 years. It certainly enabled the number of studios in Ontario that employ computer animators to enjoy an enhanced tax credit foundation to the tax credit policy. What we're asking for this year—and I'll explain these in more detail—is a relaxation, or harmonization, of the prior-year residency requirement for labour qualification and a general increase of 5% to the tax credit, from 20% to 25%.

Let me give you a couple of examples of successes that have been born out of this policy. One is a company that I happen to work for. It's known as CORE Feature Animation, in Toronto. The company was started in 1994 by four artists from Sheridan College. In 10 years, they had grown to a studio of 360 computer artists, operating two studios in Toronto, and have just delivered for release on April 14 of this year a feature film called *The Wild*, commissioned by Walt Disney corporation. It is a fully animated feature film, like *Finding Nemo*, like *The Incredibles*, and certainly we're looking forward to seeing the two years of work of computer animators in Toronto to produce that.

The propellant for the growth, and one of the reasons that Disney brought the project to Ontario, was in fact the capability of adding tax credits as a refund to the budgets. That was a significant increase in the budget, and a significant increase in the quality of product that was delivered to Disney.

A second organization, called DKP: This really was a one-man operation in 1988 when Dan Krech started it, in Toronto as well. It started out by doing TV commercials. Right now, the studio is in the process of delivering a fully animated feature film called—sorry, the name escapes me. But they have 150 employees working for them now. So the number of animators required to work on these large projects is significant. The combined budgets of these two projects is about \$150 million.

The characteristics of these projects is that they last two to three years. That's the duration of a large feature film project. They require a significant investment in facilities and computer technology. The feature film we just finished had 2,000 computers working 24 hours a day to create the images. One of the issues that we face when we put together project teams like this is, although we scour Ontario and scour Canada for the best talent, there just isn't enough. It requires us to augment our staff and our artists with additional workforce from out of the province and out of Canada.

Let me talk a little bit about what happens when we start to recruit from outside of the province. You have to envision a calendar to understand this. If we hire an animator on January 1 of any one year, the technical requirement is that the employee who's eligible for the credit has to be a resident of Ontario the year prior to when the work was done. This prior-year requirement is different than Quebec and different than the federal tax credits. If I hire an animator on January 2, I cannot claim that animator until a year later, having passed the year-prior residency requirement, and that fundamentally coincides with their filing taxes in the province. If I hired that animator two days earlier, then in fact they would qualify.

This little aberration can be significant to a large-scale project, where we are continually adding people to the project. If we get into a situation where we're adding people in March or April, we really go through the process of analyzing whether it's better for us to pre-hire them in November and December just to get the tax credit qualification—a little bit of an aberrant situation, simply because the intent of the tax credit is, of course, to lower our cost base rather than artificially increase it. Certainly, this has that small wrinkle that it does that. So we're asking for consideration of harmonizing this one requirement with the federal tax credits and the Quebec tax credits, which have a residency requirement for when the work was done, not the prior year.

1530

The Chair: You have about a minute left for your presentation.

Mr. Estey: Thank you very much.

The other aspect of the tax credit that we're asking for is a 5% increase. Certainly, the animation tax credit is the

only one of the Ontario tax credits that has never had an increase in its life over the last 10 years. It has been at 20% since it was instituted in 1997. In addition, we are seeing that, because of this worldwide boom in computer animation, low-cost labour jurisdictions like China and India are starting to become much more capable in terms of their offering product to the market. Certainly, where the Canadian dollar is today, again, is an additional impediment to our competitiveness. So we ask as well that there be consideration for a general increase of 5% to the tax credit.

The Chair: Thank you. We'll begin with the official opposition.

Mr. Hudak: Thank you very much for the presentation. I'm glad that you were able to make it here to Kitchener today.

What's the usual mechanism for reviewing the existing tax credits in this industry? Has there been an opportunity before to make this case?

Mr. Estey: The only experience that we have had in this association was last year. We did exactly the same last year as we're doing this year: making a presentation here and requesting the consideration for tax credit relief.

Mr. Hudak: Does the OMDC play any role in giving advice?

Mr. Estey: The OMDC is really an adjudicator. Their role is to look at the tax credit claims. They really are the technical expert. They look at our claims and determine whether we are in technical compliance prior to the claims being sent to finance. Generally, finance will send an auditor and do a full audit of our credit as well.

Mr. Hudak: We are well ahead on the film industry side in the province of Ontario, and other jurisdictions really moved to follow our lead and expanded their tax credits. What kind of competition do you face from other jurisdictions now on the animation side?

Mr. Estey: There really are only two that offer the same kind of tax credit as Ontario. One is BC and the other is Quebec. Generally, the legislation looks the same, with the one difference that Quebec looks at residency at the time the work is done and not the prior-year rule, as I mentioned. BC has virtually the same language in the legislation, although their interpretation, on a technical basis, is somewhat looser. We find that, particularly Hollywood studios, when they look at our estimates of tax credit relief versus BC, are seeing a substantially greater refund situation in BC.

Mr. Hudak: I know that all members of the committee will probably agree that the member for Etobicoke and former Speaker was one of the more animated members of the Legislature. Is that why you're working with him here today—in moral support, a few rows behind you.

Mr. Estey: Thank you so much.

Mr. Hudak: Thank you very much.

The Chair: We'll move to the NDP.

Mr. Prue: I'm just trying to get my head around—20% netted how many dollars to your industry?

Mr. Estey: It was \$4.4 million.

Mr. Prue: So 25% is maybe another \$1 million?

Mr. Estey: Yes, maybe two.

Mr. Prue: So you're talking here about \$1 million to keep this industry competitive and strong, and to hire Canadians?

Mr. Estey: A lot of this is optics. A lot of our members are small studios. Their test on a day-by-day basis is keeping their technology current, keeping their software current, and attracting the best talent. In an industry where there are 10 to 15 people in a small studio, another \$100,000 or \$200,000 really does make a significant difference. Although the dollars may seem small, the optics, like most things in the movies, is that it's larger than it really looks. When we go to our Hollywood producers and are able to say Ontario offers 25% and other jurisdictions offer 20%, that's a significantly positive market advantage to us, other than just the dollars.

Mr. Prue: I just want to clarify the previous-year residency. Does any other province have that?

Mr. Estey: BC has the same requirement as Ontario: the prior year. Quebec does not. For the federal tax credits—although they're not animation tax credits; they're film tax credits—the residence requirement is when the work is done, not the prior year. That's correct.

Mr. Prue: I would take it that a great many people in this industry move back and forth, depending on the jobs, between Quebec, British Columbia, wherever it's done. If the job is for two years, at the end of two years you go off to look for another job. Is that pretty much it?

Mr. Estey: Generally, that's correct. It's actually quite an itinerant populace. You may have noticed in the *Globe and Mail's* Review section on Saturday Steve "Spaz" Williams, the iconic animator who did *The Mask* and was the actual director on the film we just delivered for Disney; he's a Sheridan College graduate and one of the leaders of the industry who's supporting bringing back work. But yes, you're right: There is quite a large itinerant workforce globally that will go and look for work. The objective of the studios in Ontario is to provide a stream of work where we curtail that and where we keep that talent in Ontario.

The Chair: Thank you. Now we'll move to the government.

Mr. Wilkinson: Thank you, Ron, for coming in and sharing with us Ontario's success story in regard to research and development in an industry that didn't exist. We're region leaders, and we want to try to help support that.

I just have a couple of quick questions. Is there a separate federal definition? You mentioned Quebec, but you also mentioned the word "federal."

Mr. Estey: That's right. There are fundamentally five tax credits that operate in the film industry. Two are service tax credits where the copyright holder is not Canadian. There are two where the copyright is owned by Canadians, and there's the computer animation tax credit. For the two federal tax credits, the residency requirement is that the individual be resident at the time the work is done. For all of the Ontario tax credits, the requirement is a prior year's residency. That includes the Ontario production tax credit, the Ontario production services tax credit, and the Ontario computer animation tax credit.

Mr. Wilkinson: Following up on my friend Mr. Prue's question, you think to go from 20% to 25%, the revenue cost to us would be \$1 million?

Mr. Estey: The total amount of OCAC that was claimed in the province for the year 2003-04, the numbers I received from the OMDC, was about \$4.4 million.

Mr. Wilkinson: For that \$4.4 million, do you have the benefit side of the equation, I mean in increased provincial revenue, because we're attracting jobs here, great R&D jobs?

Mr. Estey: The analysis that we provided last year showed a multiplier of about six times, dollar for dollar, in terms of increased revenue.

Mr. Wilkinson: Revenue for Ontario?

Mr. Estey: For Ontario, yes.

Mr. Wilkinson: That helps out.

At the federal level, are you asking for an increase in the capital cost allowance? You were saying that to stay current—it's the latest of computers, the latest of technology, so it must become old-fashioned in a very short time.

Mr. Estey: The life of a computer in today's market is about two years. Most of the studios lease the equipment and fundamentally will go on an evergreen program where the equipment—

Mr. Wilkinson: And write it off that way.

Mr. Estey: That's right. Most of us do claim SR and ED as well for our own proprietor software that we develop.

The Chair: Thank you for your presentation.

Mr. Estey: Thank you so much.

The Chair: For the committee, a reminder that there's a change for tomorrow morning. We'll begin at 9, as usual, and the bus should be out front. We are adjourned.

The committee adjourned at 1540.

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CONTENTS

Wednesday 1 February 2006

Pre-budget consultations	F-313
Greater Kitchener Waterloo Chamber of Commerce	F-313
Ms. Sarah Macauley	
Ms. Linda Korgemets	
Waterloo Region Home Builders' Association	F-316
Mr. Douglas Stewart	
Ontario Federation of Labour	F-319
Mr. Wayne Samuelson	
Mr. Chris Schenk	
KidsAbility Centre for Child Development	F-322
Mr. Alex Brown	
Mr. Stephen Swatridge	
Council of Ontario Construction Associations	F-325
Mr. David Frame	
Mr. Doug DeRabbie	
Interfaith Social Assistance Reform Coalition	F-328
Rev. Brice Balmer	
Rev. Susan Eagle	
Rev. Jeffrey Brown	
Waterloo Catholic District School Board	F-330
Ms. Dianne Moser	
Mr. Roger Lawler	
Ontario Restaurant Hotel and Motel Association	F-333
Mr. Terry Mundell	
Together in Education	F-336
Mr. Rick Moffitt	
Mr. John Ryrie	
Grand River Hospital	F-339
Mr. Patrick Gaskin	
Region of Waterloo	F-342
Mr. Ken Seiling	
Mr. Larry Ryan	
Ontario Association of Optometrists	F-346
Dr. Derek MacDonald	
Retail Council of Canada	F-349
Ms. Ashley McClinton	
Ontario Community Support Association	F-353
Mr. Claude Tremblay	
Mr. Tony Pierro	
GTA/905 Healthcare Alliance	F-355
Mr. Tariq Asmi	
Association of Computer Animation Studios of Ontario	F-358
Mr. Ron Estey	



F-9

F-9

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Thursday 2 February 2006

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Jeudi 2 février 2006

**Standing committee on
finance and economic affairs**

Pre-budget consultations

**Comité permanent des finances
et des affaires économiques**

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Thursday 2 February 2006

Jeudi 2 février 2006

The committee met at 0904 in room 151.

PRE-BUDGET CONSULTATIONS

REGISTERED NURSES'
ASSOCIATION OF ONTARIO

The Chair (Mr. Pat Hoy): The standing committee on finance and economic affairs will now come to order. Our first presentation this morning will be by the Registered Nurses' Association of Ontario, if you would come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Ms. Joan Lesmond: Good morning. My name is Joan Lesmond and I'm the president of the Registered Nurses' Association of Ontario.

Ms. Sheila Block: My name is Sheila Block and I'm the director of policy at the Registered Nurses' Association of Ontario.

Ms. Lesmond: Thank you for the opportunity to address the committee. I am here to tell you about pressing needs that must be addressed in this year's budget.

Over the first two years of its mandate, the government has started rebuilding the public sector in Ontario. The urgent need for this investment was underlined by tragic events last year, including the evacuation of the community of Kashechewan and increased gun violence in Toronto.

Rebuilding social infrastructure and strengthening the social safety net is crucial to reducing social exclusion. Social exclusion is a shorthand term for what can happen when people face a combination of problems such as unemployment, low income, discrimination and poor housing. These problems are mutually reinforcing and can create a vicious cycle in people's lives.

Income inequality is a marker of social exclusion, and at least 40 international studies have shown a strong relationship between homicide rates and income inequality.

A main cause and consequence of social exclusion is also poverty. Poverty is directly linked with ill health and premature death. Poverty levels in Ontario remain too high. The child poverty rate is 16%, with close to half a

million children who live in poverty. The experience of poverty is not randomly distributed across populations; it is linked with race and gender. Growing up in poverty and being socially excluded is a powerful influence on children's lives that can affect their life chances.

For Ontarians' health, registered nurses urge the government to continue rebuilding social programs. The safety of our communities depends on it. While the government's 3% increase in social assistance rates was a welcome first step, urgent action is required in this budget. The real value of social assistance rates remains more than 30% lower than it was in 1995.

Ontario's public health units have calculated that the Ontario Works and Ontario disability support programs do not provide for adequate nutrition after housing costs are taken into account. As a result, families receiving social assistance cannot afford adequate nutrition. The situation is far worse in northern and remote aboriginal communities.

An integrated approach to reducing social exclusion also requires access to employment that pays a living wage. While we support the government's commitment to increase the minimum wage to \$8 an hour next year, the National Anti-Poverty Organization estimates a living wage of at least \$10 an hour is needed to escape poverty.

To address social exclusion and to improve the health and well-being of Ontarians, we urge the following actions in this year's budget:

- Increase social assistance rates by 20%.

- Increase the minimum wage to \$10 an hour.

- Increase funding to programs and services to strengthen families and communities.

The government is engaged in the budget-making process in a very different health care environment than it did last year. The combination of the Supreme Court Chaoulli decision and the change in government in Ottawa has shifted the policy landscape. As a result, it has become even more urgent that Ontario act to protect medicare. While we support the government's response to the Copeman clinics, we are deeply concerned about threats to medicare posed by increased costs and negative impact on the quality of care associated with the government's alternative financing and procurement plans for hospitals.

Recent information about the British experience with P3s provides further cause for concern. The Economist stated that the extensive use of private finance to fund new hospitals is bad policy and that the right lesson from

the Queen Elizabeth Hospital is to suspend further P3 commitments.

We urge the McGuinty government to make the following commitments:

—Do not approve or announce any additional AFP hospital projects.

—Transform any AFP hospital projects that have not been finalized to traditional government finance methods.

—Prohibit any AFP hospital projects that are going ahead from including contracts for operation of services.

0910

RNAO fully supports the efforts that the government has made so far as part of its nursing strategy. However, we ask the McGuinty government to reinforce its commitment in six key areas:

—Increasing targeted funding to increase the share of registered nurses working full-time in health care organizations in all sectors.

—Additional targeted funding to ensure that all new graduated registered nurses can attain full-time employment.

—Tuition reimbursement for new graduating nurses willing to relocate to underserved northern and rural communities.

—Additional targeted funding toward the 80/20 strategy. This funding will allow experienced registered nurses to mentor new graduates, to ease their transition into the workforce and support retention of both new graduates and experienced registered nurses.

—Hiring at least 150 more nurse practitioners.

—Targeted funding towards the hiring of chief nursing officers for all public health units.

I thank you for the opportunity to speak to you this morning and express my hopes that this budget will take the necessary actions to improve the social safety net, rebuild our communities, and sustain and strengthen medicare and our nursing workforce. Thank you.

The Chair: Thank you. We'll begin this morning's questioning with the official opposition.

Mr. Toby Barrett (Haldimand-Norfolk-Brant): I wish to thank you for your presentation on behalf of the Registered Nurses' Association of Ontario. In your conclusion—I'm sorry I missed the beginning of your presentation—you are requesting investments in this year's budget to cover a number of areas, including promises made to the registered nurses. During the pre-budget consultations, the Minister of Finance set out a number of criteria for deputants and for this standing committee, essentially a recipe book to follow, if you will. One question that the Minister of Finance has put before this committee is that if spending should increase in some areas, as you are advocating, what areas should be cut to balance off the additional spending?

Ms. Lesmond: Sheila will get that.

Ms. Block: We feel that there are two issues that must be considered when you ask that kind of question. The first is, is that a false choice that the finance minister is suggesting? We feel that in fact there is more fiscal room than the government had expected previously. Second of

all, if the fiscal room is insufficient, the government has a number of revenue-raising options that are available to it on the one hand, and on the other hand we really feel that these investments will decrease other costs, both in the shorter term and in the long term.

Mr. Barrett: Another direction from the Minister of Finance asks deputants and people concerned with what's in the coming budget an additional question: What other measures should be implemented to eliminate duplication and waste? Do you have any proposals on that, given that your members work in our hospitals and so many other health care institutions?

Ms. Block: I think our association is very clear that we have a need in the health care system for surge capacity, so while in other areas you might consider this duplication or waste, in fact some room for surge capacity and the need for room for events such as SARS, such as a potential pandemic, is very important. We also have a lot of nursing research that actually shows that there are better patient outcomes and better work environments when in fact you don't have your nursing workforce working at 100% full capacity. Again, I think we have to be very cautious of false economies, those kinds of false economies where you think you're going to save money in the short term, but in the long term, due to readmission rates and health outcomes, you actually wind up spending more.

The Chair: Thank you. Now we'll move to Mr. Prue of the NDP.

Mr. Michael Prue (Beaches-East York): I would like to thank you, because you gave a long deputation. It was only at the end where you actually asked for something for the RNAO. You started off by asking for people in poverty, and I want to thank you for that, because we desperately need to address that. The last budget contained no increase at all for ODSF, it contained no increase for general welfare, it did not end the clawback, it did not help autistic children—it didn't do a whole bunch of things that we all hoped it would.

You want to increase the social assistance rates by 20%; that's a fair hunk. You want to do that, and I commend you, by closing the loopholes and exemptions in the tax system and rolling back some tax cuts from the previous government. Which tax cuts do you want to roll back?

Ms. Block: There are a number of possible options that are available, and we leave some of those decisions to the Minister of Finance. As I recall, the fiscal capacity available to the province, through the course of the previous government, was reduced by, I think—and I'll have to get back to you on this—some \$30 billion a year, if you actually reinstated the tax system as it was in 1995. So we know there's a lot of room for government. We also know that there are going to be shifts in the approach that the new federal government is going to be taking. We don't know whether they're going to be opening up more fiscal room for the provincial government.

Clearly, an area where there are possibilities is in terms of taking a really hard look at tax expenditures.

One set of tax expenditures that we could look at is the employer health tax and the provisions in the employer health tax that are available for smaller businesses. That's one area we can look at, I'm sure. Perhaps the deputant who's following after me might have a few comments about that as well. I've opened up for one of her first questions.

Mr. Prue: Getting back to that, one of the tax cuts the previous government made was to remove the surtax on those who earned above \$150,000. Simply putting that back would be \$1.5 billion, which would more than pay for increasing the welfare rates, getting children out of poverty and ending the clawback. That alone would do it, would it not?

Ms. Block: Yes, it would do it. In fact, \$1.5 billion would be more than do it.

Mr. Prue: You talked about the greater use of environmental taxes. What do you see there?

Ms. Block: We're really looking for more of a reflection of the actual costs of consumption, and one of the areas that we think would definitely be possible would be raising gas taxes. That would be one where you could actually do some funding of other environmental activities. You could make a greater contribution to transit systems and others by doing that. That's one area.

The Chair: Thank you. Now we'll move to the government and Mr. Wilkinson.

Mr. John Wilkinson (Perth-Middlesex): Good morning. It's good to see you again. Thanks so much for coming in. On behalf of everybody, we really appreciate the work that your members are doing across Ontario, keeping us all healthier and being there when we need you.

I noticed that this year—following up on my colleague's comments about you putting the social determinants of health request first, would it be your testimony that, if we were to put the investment there, that would save money, because we'd be reducing a very high-needs population on our health care system? And if we did that, would that therefore reduce the demand that we would have with your own association? Is there a direct connection? You're asking for both, but did you put that first in the sense that your fiscal advice to us is that if we put money there, that that would lessen our burden on health care and therefore on the nursing side?

Ms. Block: We absolutely believe that an investment there would lessen the burden on the health care system. Unfortunately, there are always timing issues here, and those timing issues are particularly difficult on a shorter political cycle and they're also difficult when you have sort of short-term fiscal goals there; but we do believe absolutely that it will decrease health care costs. We do not believe that it will be an immediate impact, and we do believe, as I think we mentioned in the brief, that you do have to fund those transitional costs.

Mr. Wilkinson: Two further quick questions: One is hiring more nurse practitioners. We've heard of barriers, so kind of an update: Are we still having barriers for our nurse practitioners to being fully utilized? The second question is, we're struggling to have chief medical

officers of health attracted for the 36, and you're saying that we should take one of our nurses and upgrade them, somebody in situ already and upgrade them to be a chief nursing officer, working in conjunction with a chief medical officer of health per health unit?

Ms. Lesmond: I think the roles are very different, because when you talk about a chief nursing officer for public health, you're looking at the nursing issues and the nursing component, whereas a chief medical officer of health, although complementary, focuses on very different things. I think that since the erosion of the chief nursing officers, a lot has been missing in the health care system. So being able to bring that standard back into the public health system, I think, would also—

Mr. Wilkinson: We used to have that?

Ms. Lesmond: Yes, we used to, and it was totally eroded. I think if that's back in the system, it's going to complement the system.

There are still barriers to the utilization of nurse practitioners, and although we've increased the coverage for nurse practitioners, I think the difficulty and the challenge is that we still have to work with the physicians to be able to accept the complementary roles of those individuals. I think with the beginning of the family health teams, you'll see more collaboration and maybe more use.

Nurse practitioners function independently and entirely when they work in remote areas. So we really need to bring that back into the system, especially with the shortage of physicians.

The Chair: Thank you for your presentation.

0920

CANADIAN FEDERATION OF INDEPENDENT BUSINESS

The Chair: I call on the Canadian Federation of Independent Business to please come forward. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to state your names for the purposes of our recording Hansard.

Ms. Judith Andrew: Good morning, Mr. Chairman. I'm Judith Andrew, vice-president, Ontario, with the Canadian Federation of Independent Business. I'm joined by my colleague Satinder Chera, who is CFIB's Ontario director. We appreciate the opportunity to appear before your committee and to give our advice on the important work you're doing this year in respect of the Ontario budget—this, on behalf of our 42,000 Ontario member independent businesses. This is a milestone year for CFIB: It's our 35th year. For many of those 35 years we've had the opportunity to appear here, and we appreciate it.

In practice, at this occasion, we typically deliver more information to you than can possibly be referenced in the short deputation, so we would especially commend to your attention some new documents in your kits. One is the new small business profile, which is a compilation of

external data summarized in chart form for your ease of use. Also, we have our quarterly business barometer, Ontario results, which gives a much closer look at small business expectations for the Ontario economy, and we commend that to you.

I'd like to turn now to our brief, which is entitled, *Taking the High Road*. Looking at pages 2 to 3, first of all, the sectoral analysis we have done on the Ontario economy shows that although Ontario seems to be on par in a general way with the slight rebound we saw in December, in fact the sectoral analysis shows that there's been an overall decline of business confidence in pretty much all sectors. That's something to bear in mind.

We're also noticing disturbing increases in our members' priority issues: total tax burden, government regulation and paper burden, cost of local government, shortage of qualified labour, workers' compensation, and provincial labour laws. You have the data there in figure 4 on page 4.

The federal events—recently the election and the events that led to that—have certainly changed the landscape in Ontario. Issues of accountability, transparency and honesty have taken on a greater importance with the general public, and certainly with our members, we think those events are not confined to the federal level of government or to one political party. They will have an effect at all levels and with politicians of all stripes and with public servants. So we urge you to do what you can to restore Ontarians' confidence in the system of government we have in this province—this, by keeping your commitments.

I'd like to touch on one other area of future change and uncertainty and possible difficulty for small firms. That is the issue of business succession. Policy-makers have thought a fair bit about the changing demographics on such important matters as health care, but really no one has given much attention to the fact that our small and medium-sized enterprise sector is going to be affected by the same demographic pressures that are playing out elsewhere.

Our study on this subject, which is in your kits, found that four in 10 small business owners planned to exit their businesses within five years and seven in 10 in the next 10 years. We have also found that just over a third of those people have a succession plan. This isn't enough time to accomplish the transfer, and obviously there's a huge chunk of the economy—more than half of the employment—that would be at risk certainly if this handoff is not handled well. The two key obstacles are financing for the successor and actually finding a suitable leader or buyer of the firm. If the successor cannot finance the acquisition of the firm, the vendor can't depart with a reasonable nest egg.

So, in this area, we are recommending that governments work together, and the province would need to parallel any federal move in this area, to adjust the capital gains tax exemption to bring it up to date to inflation. It hasn't been adjusted since 1987. This long-standing, invaluable element of relief would help a business owner

or a farm owner to accumulate savings for retirement and facilitate that handoff.

I would also like to say one or two things in response to the previous deputant regarding tax burden and the notion that bumping up taxes on small business, whether through the employer health tax or the corporate income tax, is a good idea.

First of all, we reject the notion that there's something called "tax expenditures." That assumes that all of a business's monies are due to the government except what government benevolently allows businesses to keep. That is not at all the way small businesses look at it. They pay onerous taxes, they are enduring a very heavy regulatory burden from government, and we think it would be a very sorry mistake to raise taxes on the sector that is really the backbone of every community in this province.

Mr. Satinder Chera: If I can direct members of the committee to page 17 of the pre-budget document. One of the questions that the Minister of Finance had asked this committee to take a look at is, what else can the government do to create a new generation of economic growth? We think the first step is to address the unfair property tax burden small firms face in this province. If you look at just the example of Ottawa and Toronto, small business owners pay anywhere from two to five times more than residents on property of equal value. Fortunately, the Bill 140 hard cap was making inroads in terms of trying to rebalance that load. Unfortunately, the government decided two years ago to suspend the Bill 140 hard cap, despite the Premier's commitment to CFIB members to uphold that piece of legislation.

We think a first step, in terms of a short-term step, is to reinstate the hard cap. Not only will this get at the minister's question of economic growth because it will allow small business owners who are operating in their garages or basements to be able to transfer their businesses to a storefront, but we also think that in terms of a long-term solution a small business threshold would be the way to go. Just very quickly, what we mean by that is having small business owners pay tax at the lower residential rate on the average value of property in a particular municipality. Some analysis that's already been done by the Ministry of Finance suggests that it is a doable option. We believe that the government should pursue this aggressively going forward.

As well, we think that both of these, not only reinstating the Bill 140 hard cap but more of a long-term solution around the threshold idea, would also be a good strategy in terms of getting northern Ontario back on its feet. There are a lot of challenges that the north is facing, and if I can refer members to page 15 of the pre-budget document, which deals specifically with northern Ontario, one of the recommendations that we've made is to pilot the threshold concept in the north to see if that has an impact. We believe it would. Again, based on some analysis that we've seen from the Ministry of Finance, it would help to lower the property tax burden and, as I say, get businesses out of garages and so forth and let them own a property front and thereby also contribute to the local tax base.

0930

In addition to northern Ontario, one of the big challenges—and the Minister of Finance acknowledged this is his pre-budget deputation—is that energy costs are having a very significant impact on northern communities. We've had businesses tell us that not only are they having difficulty making ends meet, the reality is that a lot of them don't know if they're going to be in business a year from now, given the challenges they face on the energy front. We think a real strategy around dealing with those costs that businesses, not just in the north but that indeed small businesses are facing across the province in terms of their energy costs would be a prudent way forward. To that extent, we commend to the committee's attention our recommendations on the electricity front, which are located on page 11 of the pre-budget document.

One of the urgent issues before the Minister of Energy currently is whether or not to extend the revenue cap on the Ontario Power Generation's certain assets. No decision has been made, based on the information we've been able to gather from the minister's office, but it is very much a decision that the government is still in the process of determining—whether or not to keep those caps in place. It's widely recognized that if those caps are taken off, it will increase energy prices. We think that those caps should be extended on those assets to provide immediate relief to small businesses, or certainly not exacerbate the problem that's already facing those businesses.

The other key recommendation that we have is that we have advocated the creation of the office of the provincial electricity auditor. We think, again getting at the minister's question about how to increase transparency and accountability in government, this is a truly non-partisan issue. All parties, it's fair to say, have had a kick at the can on this particular front. It's now time to ensure that any changes that are made or are being contemplated are actually going to solve the problem. We think a way to ensure that ensues, without having the political imperatives cloud the issue, is that there should be the creation of this office. We would strongly recommend that the committee take that forward. Thank you.

Ms. Andrew: We'd be glad to attempt to answer your questions.

The Chair: Thank you. We'll begin this round of questioning with the NDP and Mr. Prue.

Mr. Prue: So many questions, so little time; they only gave me three minutes. I'm going to concentrate on what you were saying about the Toronto legislation. You are recommending, and I think correctly so, that the government should consider uploading social services, starting with welfare, off the property tax as a method of reducing property tax. Would you recommend that—I guess you're recommending it. That would save, just the welfare portion, about \$1 billion across the province and would probably lower taxes in cities by 3% to 5%.

Ms. Andrew: Absolutely. We think the city of Toronto legislation really missed the mark in terms of the

real problem. In fact, it will probably exacerbate the problem in Toronto for businesses. If you've got legislation that permits the city to bring on a plethora of fees, licences, charges, more regulation, on top of the onerous tax burden that Toronto businesses face, that'll give them many more reasons to exit to the 905 surrounds. Instead of aggravating and driving more businesses out of Toronto, it makes sense to look at the real problem: Establish the fiscal condition of the city. There's been a lot said about that, but the province hasn't properly inquired into it. It should be a number that is signed off by both levels of government. Then look at ways to finance the city's responsibilities. Our members would like to see discrete responsibilities at each level of government, with an aligned revenue source. That would also increase accountability for the spending. The notion of transfers and all sorts of muddying of the waters is just taking us in the wrong direction.

Mr. Prue: If the government uploaded the big five, other than education—public health, daycare, welfare, public housing and ambulance—it would save cities \$3 billion. They could all reduce the taxes enormously. The government of Ontario would then have to find the \$3 billion. Where would they find it? Because you don't want to pay more taxes.

Ms. Andrew: They would, and it's too big a subject for about 10 seconds, but we are doing some more analysis on the fiscal arrangements that affect all three levels of government and we'll be bringing that forward shortly.

Mr. Prue: In terms of finding that money, I agree with you totally. The tax burden on property is enormous—it's high and it's wrong—and most small businesses, even when they don't make money, still have to pay that tax. I would like to see them pay taxes on the money they earn, not money for services that they don't have any use for.

In the long term, are you looking to separate those out and bring all of those functions back to the province, which administers them and should, I think, be paying for them?

Ms. Andrew: We are. Last year at this time, we tabled a study with this committee called *The Real Deal on Municipalities*. We tested some of those ideas, where our members think responsibility should lie on many of those key files, and it's quite clear that there needs to be a realignment.

We're not naive enough to think that the tax burden on Toronto businesses is going to be lightened overnight. It's good to see the city focusing on it. They have to because people are fleeing. But our threshold idea, the notion that the first X thousand dollars of business property assessment would be taxed at the residential rate, would do three things: It would deliver some low-end relief to small businesses, it would help the new business entrepreneur get out of the basement or garage and graduate to a business premise on Main Street or Yonge Street and it would in fact be a strategy for gradually rebalancing the tax burden over time. It's got to be sensitive to the residents as well. We've put forward

what we think is a very workable strategy for getting out of this predicament.

The Chair: Now we'll go to the government and Ms. Marsales.

Ms. Judy Marsales (Hamilton West): Good morning. Thank you very much for your wonderful presentation. I have a couple of questions. Over the past two weeks, we've heard of both job losses and the lack of availability of skilled labour. I guess my question would be, has your organization looked at the potential transfer of employment from the loss to the availability and, if so, are there impediments to that transition and/or other obstacles that we need to look at?

Ms. Andrew: We're both jumping to answer this question. I will say something very quickly. There is a one-page leaf on this subject, page 19 of the brief. We actually have a specialized website dealing with all of our research on this issue. There's no question that half of our members in Ontario are saying that a shortage of qualified labour is a big issue for them presently and they fear for the future in terms of staffing up their businesses. We do need to make those transitions and give people the skills they need.

Mr. Chera: If I can just add to that, the recent signing of the Canada-Ontario labour market agreement is a step in the right direction, we think, in terms of influencing that particular issue. We would strongly recommend that the government gear the monies they've received under that program or that agreement towards helping small businesses be able to train new employees, but also get at that specific issue of the shortage of qualified labour. Recent developments out of the ministries suggest that they may be headed in that direction, but it never hurts to give them a nice push.

Ms. Marsales: With regard to the northern perspective that you offered, is there an opportunity to accommodate some of the people losing their jobs in other sectors to where they are needed, for example?

Ms. Andrew: Absolutely. In northern Ontario, we have looked at the various programs that the government has launched under its prosperity initiative. Most of them are not strongly supported by our members.

I think what would really help is if there was some property tax relief to allow those fledgling businesses to get into business premises. That way, they would be in a position to hire more people and of course laid-off employees. Often, you find all kinds of entrepreneurs amongst those folks. They would also be able to get into business. So basically, what we're arguing for are better conditions for people to pursue entrepreneurship as a strategy and of course train people up to do those things.

The Chair: We'll move to the official opposition.

0940

Mr. Barrett: Thank you, Ms. Andrew and Mr. Chera. I have a number of CFIB members in my area and they appreciate the work you do. They appreciate the survey research and the consultation through your organization.

You've pointed out that in 2003, there were several promises—no deficits, no tax increases—and this has not

happened. What would you suggest would be required to try and turn around that trend? It's probably not going to happen for a couple of years, but what will this economy require to balance the books and for this government to meet its commitment to start paying down the debt?

Ms. Andrew: Our recommendations in this area are very straightforward: We ask the government to refrain from increasing taxes and actually balance the budget by controlling spending. We know that's difficult, but if this is done in tandem with measures to grow the economy, then more tax dollars will flow into the coffers and be able to be deployed on the priorities of health care and education where the pressures are coming from.

We also think there's an important aspect around compensation for public sector employees. We do a fairly academic study called Wage Watch, where we take census data and look at matched occupations in the public and private sectors. We typically find very large disparities between the pay and benefit compensation for public sector employees as against private sector employees. A lot of that would be in the pension arena as well. We know that right now, for example, the Legislature is looking at Bill 206, and that in itself could worsen or exacerbate the problem, in fact exposing taxpayers to additional cost for public sector pensions. We think public sector employees need to be paid fairly, but it needs to be on a fair comparison to a wide range of matched occupations in the private sector, not just on a few selected high-paying companies, which is where the comparisons are typically done.

Mr. Barrett: I appreciate your section on northern Ontario. We visited the north last week on this committee, and it's a disastrous situation. I'm concerned that that issue has been neglected, that the horse is already out of the barn. Are there any suggestions of how, literally after the fact—we talk about this northern prosperity plan, but what do you do after the fact? Companies have either left or are shutting down and are not really amenable to government loans at this point because there's no reason to invest.

Ms. Andrew: We're a nation of entrepreneurial people, as your colleague Ms. Marsales pointed out. There will be a lot of people out of work. Often, people have a dream in terms of starting a business. You will find some evidence of that in our profile in terms of the kinds of positions that people desire, in terms of their working life. Being an entrepreneur or small business owner is the number one choice when you ask people. So I guess our argument is not to do a whole lot of targeted programs that look like they might do something and in fact don't deliver much, but rather create the conditions for those entrepreneurs to be able to start something, to be able to grow something and succeed. We think there's great spirit in northern Ontario and lots of talent there, and people will be able to do that if they're not beaten back by onerous property taxes and other regulations and things that make it difficult.

The Chair: Thank you for your presentation.

ONTARIO PUBLIC SERVICE EMPLOYEES UNION

The Chair: I call on the Ontario Public Service Employees Union to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I'd ask you to identify yourselves for the purposes of our recording Hansard.

Ms. Leah Casselman: Thank you very much. I'm Leah Casselman, with a sinus cold. So keep your BlackBerry away, if you were watching my other presentation the other day. Good morning. I'm president of the Ontario Public Service Employees Union. With me is Jordan Berger, who's the supervisor in our research department.

OPSEU represents over 115,000 public sector workers, including most direct employees of the province, full-time staff at Ontario's colleges and more than 60,000 workers in the broader public service, including over 5,000 employees of the Ontario liquor board.

The upcoming provincial budget marks the midpoint of the current government's term in office. These consultations provide a fitting opportunity to reflect on the past and to look at the future. My comments touch on a variety of public services, as our members are found throughout Ontario's public sector, but the presentation points to a general theme: this government's confusion about its mandate and the future direction that it will take with regard to public services.

I see two paths ahead for Ontario. The first path is to honour our collective achievements as a society: the network of public services that make our province liveable and that reduce social inequality. The second path is to follow the lead of the United States and to continue to blur the respective roles of the public and private sectors. In the States, public service design and delivery, as well as strategic policy advice, have been effectively privatized to the point that their government has arguably lost control over spending priorities. We know which vision of Ontario's future we prefer. When we hear Liberals talk about "modernization" or "clear agendas," we know that these buzz words are fundamental deceptions about the role of government.

Let's be clear: During the 2003 election campaign, the defining issue for Ontarians was rebuilding public services that had suffered so greatly under Mike Harris. This reality has been acknowledged by the Premier, the former finance minister and other cabinet ministers. We have not withheld our praise for the government when it does the right thing, like finally injecting funds into health care and education, for example, but we would be doing a disservice to our members and the public if we were not brutally honest about some of its shortcomings. We do not expect the government to be able to completely reverse 10 years of Harris-Eves mismanagement in one term. However, we do expect you to at least move in the right direction.

The sad reality is that, despite promises to restore public services, spending on public services and infra-

structure continues to decline as a proportion of the provincial economy, and there seems to be no clear vision for fixing the situation. In fact, repeating simplistic slogans like "no tax increases" compounds the problem and feeds public cynicism about government. The public is no longer interested in the shell game where governments cry poor during their term in office, then discover billions in extra revenue on the verge of an election, make extravagant promises and then renege on them right after re-election. We expect and we deserve more from this government; frankly, from any government.

Moving on to specific issues: Funding rules and employment practices in the broader public service are a mess. There seems to be no plan in place to ensure that the institutions and agencies that educate, care for and protect society have stable funding and consistent working conditions. For example, children's mental health services need core funding. Most people recognize that children with mental difficulties are among the most vulnerable members of our society. Ignoring their needs is no longer an option.

Wages and working conditions in developmental services have declined to the point where agency management is joining with our members to demand increased funding. OPSEU always hopes for positive relationships with employers, but we would rather that they were not based on shared poverty.

Proxy pay equity—a program designed to bring fairness to women workers—continues to be neglected. Funding was provided only until the end of 2005. Do we really need to go back to court to fight a Liberal government over fairness for women in the workplace?

Sadly, the province's failure to get past the Harris-Eves agenda and revitalize broader public sector programs is also affecting the Ontario public service. We have not forgotten that the promise to restore successor rights for direct government employees remains unfulfilled. This is not a trivial matter for our members, and it should not be a trivial matter for the government as employer.

The maybe-private, maybe-public approach to corrections and other public services is not sustainable. Do the right thing. Repatriate the Penetang superjail, so that our tax dollars are no longer being used to support the profits of American companies.

Although the Ontario public has, for now, been spared the spectre of a private liquor store on every busy intersection, we obviously remain nervous about this government's sense of a progressive and safe balance between public and private sector services. OPSEU will remain vigilant about the merits of not tampering with the success of the LCBO.

0950

The Auditor himself has pointed to abuses within the privatized driver licensing system, a lack of value-for-money auditing of private medical laboratories and no minimum standards or monitoring of downloaded land ambulance services.

The Ministry of Health and Long-Term Care recently announced plans to contract out delivery of Ontario's Trillium drug program. This program provides vital subsidies to 200,000 Ontarians who face extreme drug costs as a result of arthritis, cancer, cystic fibrosis, heart disease, HIV/AIDS, multiple sclerosis, respiratory diseases and other serious health problems. Privatizing this program will put clients' confidential health and income tax information, and the decision about whether they get the drugs they need, into the hands of a private for-profit corporation. It will also undercut public accountability for the operation of this \$142-million program and the quality of services clients receive.

You also have plans to divest the sole remaining water quality agency in the province, the Ontario Clean Water Agency. Liberal caucus members will need to explain that every time they speak about rebuilding public services and improving our quality of life.

Let me briefly address one more example of what can happen when the province fails to put the public interest first. An elevator crash just occurred in an office tower a few blocks away from this hearing. It underscores the reality that the cost of offloading public services can emerge at any time. Perhaps the Liberal committee members here and the Premier could call the victims who are now on morphine drips and whose bones were shattered and suggest to them that you cannot afford to rebuild and, in the case of elevator inspections, repatriate vital public services. Tell them that only the private sector should have a bigger role in modernizing Ontario's public services. Tell them it's about keeping taxes low enough.

Those are just a few examples of the failure to address the consequences of public service downloading.

Again, according to the Provincial Auditor, the government continues to ignore its own rules about conflicts of interest and time limits on the use of temporary staff within the Ontario public service. A large majority of these employees spend significantly more than six months in their positions, again violating government policy.

For the neediest members of our society, the government has allowed inflation to erode benefit payments to the extent that poor people are actually more desperate today than they were when Ernie Eves was Premier.

How can the government possibly deny, let alone justify, the declining living standards of injured workers, social assistance recipients and people with disabilities? Many of these programs are among the hidden public services, like elevator inspections once were. They are tragically not part of the official agenda, but I can guarantee that we will do whatever it takes to ensure they are not hidden from the public during the next election.

Even the core Liberal agenda is in trouble. In education, additional funding is welcome but most observers agree the structural problems caused by the funding formula in schools and the reliance on tuition in post-secondary education have not been addressed. In health care, the relief that accompanied additional funding has been completely undermined by the unanswered ques-

tions related to the local health integration networks. Put simply, the government must decide if the model for the LHINs will be the contracting-out disaster imposed on Ontario's home care system.

If efficiencies are not to come from attacking vulnerable clients and public servants, you had better send a strong message soon. Our patience is running out. Governments are addicted to health care restructuring, but the victims of resource reallocation always seem to be the front-line staff and taxpayers. When will politicians take on the real cost-drivers in health care: physicians, hospital administrators and private sector drug companies and clinics?

Finally, in the area of infrastructure spending, the McGuinty government is perpetuating the decline in capital expenditures while promoting public-private partnerships as the solution to bridge the gap. There is simply not enough time and certainly not enough goodwill to seriously believe that the private sector can address our infrastructure gap. Ontario cannot afford this solution and key decision-makers in the private sector recognize that privatization is not politically sustainable.

Our members are not interested in rhetorical band-aids and half measures to rebuild critical public services between elections. We share something in common with all citizens: We are deeply concerned about the long-term cost and control implications of public-private partnerships and public sector mismanagement in general.

We will not allow the electoral cycle to bracket our entirely justified anger about the direction this province is going. I submit to the Liberal members of the committee that your government simply cannot go to the polls in two years without reversing these and other negative trends. And in this post-Walkerton era, our members are not willing to wait for citizens to die before blowing the whistle on mismanagement and poor decision-making. We need to hear your commitment to public services and public sector workers. If we do not, believe us when we say we will be heard by the electorate in 2007.

Thank you very much. I will now take any questions.

The Chair: Thank you for the presentation. We'll begin with the government.

Mr. Wayne Arthurs (Pickering-Ajax-Uxbridge): Leah, thank you for being here this morning. We appreciate your comments. Personally, I'm pleased with the progress we've made over the past two years with OPSEU. I can attest to that. Both yourself and Minister Phillips in particular have been instrumental in that. Certainly, there's always a long ways to go, but I think we've made some headway in crawling out of a deep hole, and there's still some ways to go yet.

Among your earliest and latter comments during the course of your presentation, you commented on those most vulnerable in our society. You mentioned children's mental health as one of those. Would you provide me with some further insight from OPSEU, as you see it, on what we can or should be doing for the most vulnerable in our community, whether it's children with mental dis-

abilities or those who are on the lowest rung of society, those who may be homeless, those who are unemployed, those who rely on social services and those who need extended health care or long-term care of some sort.

Ms. Casselman: First of all, it's funding, clearly. There are people who actually go into colleges and universities to take on professions to work with these clients. They can't stay in those professions because the wages are simply substandard. They don't have the resources in their work locations to offer programming. They don't have the resources in their community to go out and offer services to those clients. So it really is a matter of looking at the whole program and trying to figure out where you're going to put the money in.

I actually have a meeting scheduled, I think it's next month, with some senior managers in the children's mental health sector, and they are joining us, like the developmental services sector, to talk to the government about getting real about providing funding, community by community and agency by agency. You really have to address it.

One of the big problems, of course, that we're going to run up against again—hopefully not in court—is the pay equity issue. A lot of the workers in these fields are women and their wages are substandard, I guess because they are women.

Mr. Arthurs: In essence, or at least in part, one needs to start with ensuring that those who are working in those fields are paid an adequate amount, a responsible amount, to ensure they stay in the field and not move elsewhere, so we have well-trained people, as well as providing the support for programs and community agencies and ensuring there's a clear balance of payment, regardless of sex.

Ms. Casselman: Yes, all of those. Just to go back to children's mental health, mental health is clearly the poor sister in the health care sector. You don't hear about mental health at all. Now that you're continuing to divest psychiatric hospitals in the public health care system—you go to a community and they're going to say, "Let's go raise some money for an MRI or mental health services." What do you think the public's going to say? "Hello, I want an MRI." They have no understanding of the need for not only children's mental health, but mental health services in particular.

The Chair: Now we'll move to the official opposition.

Mr. Barrett: I want to thank OPSEU. I appreciate the frank presentation. You make reference to spending on public services and infrastructure continuing to decline; granted, compared to the provincial economy. The present government is increasing taxes considerably and is running considerable deficits. Obviously, you have figures of the economy as surging ahead of that in proportional spending on public services. How should this government continue to put in more money? Are you advocating more tax increases or more deficit spending to fund the public service?

Ms. Casselman: Clearly, tax increases. Your government took \$18 billion out of the economy through tax

cuts, and then folks in their communities just ended up having to pull it out of the other pocket to pay for all the services that used to be provided. We're short of tax dollars in our economy in Ontario.

In the previous presentation, there was a question, I think from you, about northern Ontario. You actually attract workers and occupations and industry when you have a stable public sector base in those communities because then doctors and dentists show up and industry realizes, "Gee, that's a good place to build a new industry," because we actually have that kind of stable public sector base there, so we can attract workers and keep workers in those locations. So, yes, I think clearly it is; it's a matter of not having enough tax base in this province because of previous cuts.

1000

Mr. Barrett: Contracting out: You make reference to the Trillium drug program and the concern of health or income tax information falling into the wrong hands. I know in my community to go for an X-ray or blood test, it's a private company that does it. We don't have an Ontario government laboratory in our village. Is there evidence of misuse in other sectors where, for some reason, they would be selling information or misusing it?

Ms. Casselman: Yes. We did a whole presentation on that when your government contracted out the driver examiners. We saw, of course, the biker gangs in Quebec getting hold of those private companies—I guess they actually owned the companies when they bid on them—and getting that information. We're concerned, with some of the recent issues here in Ontario in relation to driver exams, that personal information would be out. I think there's a big court fight in BC right now about what they've contracted out. The health care information system in British Columbia is controlled by a US company, and now George Bush will be able to find out all of your pertinent information in relation to his save-the-US legislation down there.

Mr. Barrett: You used another example, the off-loading with the recent elevator crash. I've been on the road. I'm not aware. Is there an inquiry? Obviously, you're suggesting something has gone wrong there. Has someone been charged or has there been an inquiry? Has someone been found culpable?

Ms. Casselman: I don't know if they've asked for an inquiry yet, but I do know that elevator inspection used to be part of the civil service. We used to have elevator inspectors who would go out and inspect elevators on a regular basis. I don't know that there's any ability for the public to find out right now what the current company or agency is that's responsible for those inspections, whether or not they're open to freedom of information or not. I don't know what their record is, but clearly we don't need to see any more tragedies than we had last week.

The Chair: We'll move to Mr. Prue of the NDP.

Mr. Prue: I'd like to ask you as well a question I asked yesterday in Kitchener. The Kitchener chamber of commerce came forward and commended the govern-

ment for uploading its income tax auditors to Ottawa, sending them off, as if somehow this was a good thing. My understanding is that the people who work there take in tens of millions of dollars more in extra revenue for the province than the cost of their wages. Could you tell me a little bit about what's going on there and why it's going on?

Ms. Casselman: Yes. It's two different programs, two different types of workers and two different volumes of workers. Our folks have been much more productive in relation to getting taxes into the coffers. We did actually talk to this government and, subsequent to that, they have actually hired folks to go out and get the money. It's one thing to go out and assess a company and say, "You owe us money." It's another thing to have someone go out and say, "Give me the money." So there has been an increase in that area.

My understanding is that this function will now be uploaded, I guess, to the feds with, in my understanding again, fewer workers available to do the job. So you're not going to have the ability to do the kind of hands-on work that our members are clearly doing here in Ontario.

Mr. Prue: So the government will be at a considerable risk of declining revenues when companies choose not to pay the taxes or hide from them or—let's be careful—inadvertently forget to pay their fair share of taxes?

Ms. Casselman: Our concern is not only for the workers but you'd now have to go and knock on the feds' door to say, "Would you mind looking after this for us here in Ontario?" because we don't have the ability to do that ourselves anymore. I don't know that knocking on the door federally these days would be a real good thing to do. So they actually might want to reconsider that move, since it hasn't happened yet.

Mr. Prue: I'm trying to get them to do it.

In terms of government services, when we were in northern Ontario, some of the government services people came and talked—actually, I think it was in Cornwall—about the lack of MNR people and the fact that the fish stocks aren't being replaced, that people are out there overfishing and doing things that are illegal and there's no one to catch them. Has that been one of the ministries most hard hit?

Ms. Casselman: Yes. Clearly environment and natural resources have just been gutted. I've met some of our conservation officers, and their schedule is 9 to 5. Well, I don't know many folks who are jacking deer who are out there doing it during the daytime. Clearly there's been a real and continued gutting of that ministry. So our natural resources, which we used to talk about quite proudly in Ontario, are pretty much on their own right now.

Mr. Prue: I've still got time?

The Chair: Yes.

Mr. Prue: Then I'd like to go back to the elevator crash. When did Ontario stop inspecting elevators? I noticed a number of years ago, a sign would be on the elevator saying it was inspected. You don't see them any more. How long ago did that happen?

Ms. Casselman: We're thinking 1996, but I'm not—

Mr. Jordan Berger: I believe it was one of the first—

Mr. Prue: One of the first Harris cuts.

Mr. Berger: —services to be sent out to the independent agency that they set up for industry self-regulation.

Mr. Prue: We pay some private person to go around and look at these elevators?

Ms. Casselman: Either that or through an industry-regulated company. So it's self-regulation.

Mr. Berger: The basic principle around self-regulation seems to be: Until there's a problem, it doesn't appear. When these services were transferred out of government, they also changed the regulations. For example, when you go into an elevator, you no longer see that certificate signed by the minister, with a clear expiry date. You have to go to the property office during the day to actually see the certificates on the elevators.

Ms. Casselman: If you can get out of the elevator.

The Chair: Thank you for your presentation.

For the committee, there's a typo in the next presentation. You'll notice that the board chair for this particular group and the following group are similar. That's incorrect. The first one should be Scott Courtice.

ONTARIO UNDERGRADUATE STUDENT ALLIANCE

The Chair: Now I call on the Ontario Undergraduate Student Alliance to come forward.

Mr. Scott Courtice: Thank you very much for the opportunity to speak to you this morning. My name is Scott Courtice and I am the executive director of the Ontario Undergraduate Student Alliance. I am accompanied today by Jen Chan, who is our research and policy analyst within the organization. Obviously I'm here to talk to you today about higher education.

Higher education is a wise public investment. It is one of the key building blocks in the socio-economic development of individual Ontarians and the province as a whole. Strategic public funding for post-secondary education must continue to be a centrepiece of the province's strategy to increase our capacity, competitiveness and the quality of life for all of our citizens.

The significant public investment that was announced in the 2005 budget has been universally lauded as a step towards the rehabilitation of the post-secondary system. However, it would be premature to conclude that the task of renewing the system is complete. The government must ensure that the long-term investments that were committed in the 2005 budget are allocated and they must ensure that those monies are also allocated wisely and for the greatest effect.

In my remarks this morning, I will outline the importance of higher education to the future well-being of the province, and I'll detail three key priorities that our members have identified.

First on the importance of higher education: More than infrastructure investments, business subsidies or tax cuts, a highly educated population is the primary vehicle for

driving socio-economic prosperity and growth. By creating better employment opportunities for graduates, post-secondary education has the broader economic effect of increasing graduates' wages, lowering unemployment rates and increasing the tax base.

A Statistics Canada survey of labour and income dynamics examined 15,000 families in 2002 and found that university graduates made up slightly more than 15% of the total population but paid almost 35% of total income taxes and received only 8% of government transfers. Clearly, post-secondary education and post-secondary graduates are an important component of Ontario's economy.

While some of the benefits of higher education are easily measured, many of the other returns are less tangible but equally important for the prosperity of the province. One such benefit is that post-secondary education increases individuals' ability to learn new technologies, which thereby increases the flexibility of the workforce to adapt to emerging industries in the future. This capacity is crucial to positioning Ontario as a leader in years to come.

The announcement of a new Toyota plant in Woodstock in June 2005, and other Ontario success stories such as the rapid growth of Waterloo's Research in Motion, show how some businesses are recognizing Ontario as an education leader. However, these successes do not tell the entire story. Ontario continues to lag behind other jurisdictions in its level of productivity. In order to retain and expand our global competitiveness, higher education must remain the top priority.

1010

The recent task force on competitiveness and prosperity argues that in the long term, underinvestment in higher education has led to Ontario lagging behind its former peers in vital economic measures such as per capita GDP. They note that Ontario and Massachusetts were peers in the levels of prosperity in 1977. However, the two jurisdictions diverged in their growth strategies in the intervening years, with Massachusetts out-investing Ontario in post-secondary education at three times per capita. In 2004, Massachusetts' GDP per capita had moved ahead of Ontario by almost 46%. By strategically investing in post-secondary education, that state has become, as the task force describes, the richest jurisdiction of meaningful size on the planet.

In order to shift the province's current economic path and invest in future generations, the task force recommends first and foremost that investments in post-secondary education should be increased, as a well-funded higher education system is essential to increase Ontario's productivity and prosperity, which is a returning theme that I continue to hammer on. We have provided other case studies in our full submission that also demonstrate this point.

Having established the importance of post-secondary education, I will now outline three areas that our members have identified as a priority in the coming year:

The first priority, probably unsurprisingly, is tuition and student financial assistance. One of the provincial

government's main roles in the post-secondary field is the setting of tuition rates by establishing a maximum rate by which tuition can increase each year. OUSA's foremost recommendation for Ontario's tuition framework is that tuition should not be examined in isolation, but rather in tandem with student financial assistance. This approach will recognize that any changes to tuition fees in the short or long term must be balanced by investments in student financial assistance, and that this responsiveness must be embedded in the design of a financial aid system. This might seem intuitive but in fact in the past, student financial assistance and tuition have not been linked, and as a result, the level of student financial assistance stayed static until last year while tuition increased dramatically over a 10-year period. So it's important to link those two issues together.

At the end of the current 2005-06 academic year, the two-year tuition freeze that was instituted by the current government is set to expire. In order to promote fairness and predictability in student tuition fees, we recommend that students and their families should contribute no more than 30% of the costs of their education and the government should fund the remaining 70%. In the last year of reported data, which was last year, students' tuition fees in Ontario comprised 44.7% of university operating income.

To bring tuition costs in line with the 30% ratio, the provincial government has several options, the first being cutting back tuition sharply or increasing government operating grants over a number of years while keeping tuition levels constant. As the first option would likely result in a reduction of funds available in the university system, we recommend that a progressive injection of government funding be coupled with a cap on tuition levels at the rate of the Ontario consumer price index. This would hold students' costs in check at a predictable level while allowing increased provincial operating grants to fund improvements in the system and catch up with the increase in costs borne by students through the past 15 years.

With smart and effective reforms to student financial assistance, such a scenario could strike a balance between the need to maximize the impact of recent government investments in enhancing quality and the need to adequately meet student need and reduce debt loads carried by students upon graduation. We have provided more detailed recommendations to further enhance student financial assistance in our first submission, because we could probably speak about it all morning if we would like to.

The second priority is accountability and university governance, and there are three points under this heading.

In the final report of former Premier Bob Rae's post-secondary review, he recommended the creation of multi-year plans negotiated bilaterally with each university as the main framework for funding and accountability in the post-secondary sector. While multi-year plans were one of Mr. Rae's main recommendations in the review, they have yet to be implemented. For the 2005-06 academic

year, interim accountability agreements have been negotiated or are in the process of being negotiated. However, these agreements were finalized only recently, meaning institutions did not know the total size of their operating grant until well into the academic year. Clearly, this situation is not an optimal one for universities.

While we appreciate that the ministry has been working under an unusually tight time frame in 2005, it is our hope future agreements will be made on a multi-year basis and announced well in advance of the commencement of the academic year, to allow universities to use the investments more strategically.

The second point under accountability is the creation of a Higher Education Quality Council of Ontario. In the 2005 budget, the government announced its intention to create such a body to act as an arm's-length organization that would develop and make recommendations to the minister on targets for post-secondary performance measures and quality enhancements. According to the budget bill, the organization will have a board and the council will be responsible for producing yearly reports and advice to the minister. The budget bill was approved in November of 2005 but the council has yet to be established. The council will play a key role in advising the ministry on how best to deploy the resources that were announced in the budget to improve quality, so it's critical that this body is in place before the next round of accountability agreements are negotiated, so you can use the investments to maximize the impact of them.

The Chair: You have about a minute left.

Mr. Courtice: Thank you.

The final thing on accountability is student involvement. It's a final but crucial recommendation, that we believe that student, as an investor or as an important stakeholder in the post-secondary sector, play a more meaningful role in the governance of universities at the institutional level.

The final priority of our membership, though it goes beyond the mandate of this committee and government, is to begin to aggressively approach the federal government to engage them in the process of funding the operating costs of universities. In the past election, the incoming Conservative government said that they will address the fiscal imbalance generally, but they also have committed to a dedicated transfer to post-secondary education more specifically. There's a summit at the end of the month of stakeholders and the provinces, hosted by the Council of the Federation. I hope that we can all show a united front in pushing the federal government to reinvest in post-secondary education as well. Thank you.

The Chair: Thank you. The questioning will begin with the official opposition.

Mr. Barrett: Thanks for the presentation, Ontario Undergraduate Student Alliance. It's important what you're doing. I imagine many of your members wouldn't be interested in doing the kind of work that you're doing, so I think they're lucky to have you lobby on their behalf. It's quite timely, your arrival today. I'm just looking at headlines in today's paper: "Cost of Tuition to Rise";

"Ontario is Out of Options: McGuinty"; "University Tuition to Rise, Premier Says." Another headline: "Howls from College Kids." Is that accurate? Are you getting that kind of feedback from your members? Are students aware of what's actually happening as far as no more tuition freeze, or proposed no more tuition freeze?

Mr. Courtice: I think you'd have a difficult time finding anyone who would want tuition to rise. I think that there's a general consensus among students, especially students from middle-class and lower socio-economic backgrounds, that the cost of their education is too high. Tuition is only one aspect of the formula itself. If tuition increases beyond what we propose, which is CPI, I can't understand how—because tuition is at a level that is so high I'd have a difficult time imagining very many students who would support that.

We've suggested that you can use the student financial assistance program as a mechanism, though tuition might increase slightly, to reduce the overall costs of lower- and middle-income students, so though they see their tuition increasing slightly, you can actually have a greater impact with the student financial assistance. Depending on how it's designed, it could be bad as well.

Mr. Barrett: It looks like things are going to move quickly. The projection is the increase is coming in September. I see Premier McGuinty is quoted in the paper: "We are going to have an important conversation shortly about tuition." I would imagine they'll be making a decision in the very near future. Do you expect to be part of this conversation or consultation?

Mr. Courtice: The conversation actually began in July, and the government engaged stakeholders, both students and universities, to discuss what their ideal framework would be. That discussion, as far as we're aware, has been completed. We've just been waiting to see what the results of that consultation will be. I would imagine, as well, that the announcement has to come shortly, because universities are coming fairly close to where they need to have their budget cycles completed.

Mr. Barrett: Are many of your members—

The Chair: Thank you. Now we'll move to Mr. Prue of the NDP.

1020

Mr. Prue: I only get a couple of minutes, so I just want to look at the last two recommendations you've made. Guaranteeing student involvement on university governing bodies up to 25%—do any universities currently have that many students on their governing bodies? I know when I was there, and albeit I'm an old man now, there were none.

Mr. Courtice: Right now, on average, on a university governing body of about 40 people, you might have two or three students that traditionally—it's representation, but it's fairly token representation. On university senates there's a higher percentage, but not a real, true, effective voice that would be able to really have some power on the university body.

Mr. Prue: The thing about these governing bodies is that the people who served on them then, and probably

today too, served for a long period of time, and the students might be in university for four or five years. By the time they had the wherewithal around them to actually get on the governing body, they'd probably be in their final years or in graduate school, so they wouldn't serve for a very long period of time. Would they have the necessary qualifications to understand the intricacies if they're only to serve for one or two years and then get out?

Mr. Courtice: I believe so. I think there are many examples on university campuses where students hold governing responsibilities multi-year. Right now there are many students on university senates who sit for two or three years. When I was at Queen's University, I sat on the senate for three years. Also, if we really are serious about universities as training future leaders of our society, I think we should put our money where our mouth is and trust the students who are being trained to actually be able to practise that on university governing bodies.

Mr. Prue: I was hoping you'd answer that way. Okay. Recommendation 17 is to aggressively lobby. The Prime Minister-elect has said that he's going to do a typically Canadian thing in that he's going to talk with Premiers about tax points; that is, you take down the tax points for the federal government, you correspondingly reduce the provincial ones so that the province gets more money, the feds less, and the whole thing balances out. Do you think that we should be aggressively lobbying, or should we be looking for the tax point and then forcing the government here to spend the money appropriately?

Mr. Courtice: I think that what we saw in the early 1990s when the Liberal government at that time took power, they—there used to be a dedicated transfer to universities, but that was blended in with a much larger transfer. We also saw correspondingly less money coming to provinces, but what we saw as a result was the province not making good choices in terms of post-secondary education. Obviously, I think we would prefer the money to be targeted specifically to PSE so we know that the money will be spent there.

The Chair: Thank you. Now we'll move to the government and Mr. Wilkinson.

Mr. Wilkinson: Great. Thanks for coming in this morning. I think your organization is going to look back 20 years from now and say that you were part of the greatest reinvestment in post-secondary that we've had in a generation, and so you should be commended for the work you have been doing.

Specifically, though, because we're dealing with budgetary pressures, I just wonder if you could briefly explain recommendation number 9, where you're recommending that we eliminate the tuition tax credit and use the money to fund other student financial aid programs. Maybe that's a Jen question. If you'd like to give that a shot, just to go through the numbers for us.

Ms. Jen Chan: We've done some research on the tuition tax credit, and what's been shown is that the money is not being used most effectively. What tends to

happen is that the people who disproportionately benefit from these tax credits tend to be at the higher end of the income scale, because they actually have the income in order to deduct the tax credits and so on. So for lower-income people, if they do take the tax credits, they don't benefit any more than their higher-income counterparts. I think the statistic we had was that 60% of these tax credits are taken by people with incomes above the national median. So what we're saying is that instead of using these tax credits, it can be more effectively used to actually increase access, help people who need it the most. So use that for grant programs for low- and middle-income students. We think that would be a much more effective use of that money.

Mr. Wilkinson: How much money are we talking about re-profiling if we did that?

Ms. Chan: That would be about \$300 million, and according to our research, about 40% of the dollars allocated to student financial aid is actually going to these tax credits. So that's a significant portion of student financial aid money.

Mr. Wilkinson: In a self-serving way, because I have a daughter going to university, you're suggesting there be a new scholarship for entrants with an average of above 85%?

Ms. Chan: Right. That's one of our suggestions, which has been used in Alberta, that we think would really help students sort of plan ahead and see that they will be able to get there if they study hard enough.

Mr. Wilkinson: How much money are we talking about?

Ms. Chan: I think we were suggesting \$1,000 or \$2,500.

Mr. Wilkinson: That would just be for Ontario students or for all students, including those coming from other jurisdictions?

Ms. Chan: Ontario students.

Mr. Wilkinson: Ontario students with a residency, like in Quebec.

Ms. Chan: Yes.

The Chair: Thank you for your presentation.

ONTARIO HOSPITAL ASSOCIATION

The Chair: I would call on the Ontario Hospital Association to come forward, please. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Garry Cardiff: Good morning, ladies and gentlemen. I'm Garry Cardiff. I'm CEO of the Children's Hospital of Eastern Ontario and the chair of the Ontario Hospital Association board. Helping me today is Hilary Short, president and CEO of the Ontario Hospital Association.

It's been a year of tremendous change for the Ontario hospital care system, particularly for the hospitals themselves. While we've made substantial progress, change of

this magnitude inevitably brings new challenges. While both hospitals and the Ministry of Health and Long-Term Care have learned a lot so far, there's still a way to go. Our shared goal is to get the hospital system in balance and continue on a path to stability. Today, we want to talk to you about the progress that has been made and the issues that still remain.

As we move forward with these changes, it's imperative that we look to the future and determine the policy direction, the financial resources and human capital needed to make these changes work. Hilary will detail some of these for you now.

Ms. Hilary Short: Thank you, Garry. The adoption of the multi-year hospital funding model and the introduction of two-way accountability agreements have fundamentally changed the way Ontario's hospitals plan, budget and operate. Multi-year funding provides hospital boards and administrators with a degree of funding predictability never before experienced in our province. This will serve us well as we work to provide the best possible patient care.

Two-way accountability agreements are mandatory, negotiated, legally binding contracts between the ministry and hospitals. Hospitals set out the precise range, scope and volume of services that they will provide. The ministry in return provides an agreed-to amount of funding.

OHA strongly supports the principles of multi-year funding and hospital accountability agreements. We have long advocated for multi-year funding and we worked closely with the ministry to design the agreement being used today. But implementing accountability agreements for the first time has been extremely challenging for both the ministry and hospitals. It takes time to complete these agreements, and the longer this process takes, the harder it is to achieve our agreed-upon budget targets.

We do, however, expect that the majority of hospitals will be in a position to sign an agreement by the end of the current fiscal year. Regrettably, some hospitals will continue to grapple with fundamental, long-standing fiscal challenges. These hospitals will be unable to achieve the balanced budget commitment required to sign an agreement without cuts to staff or patient services. Some of these hospitals will undergo an external, third-party or peer review. The OHA supports this approach because experience has shown that such reviews usually identify areas for additional efficiencies and validate hospitals' need for additional resources.

There is, however, one aspect of accountability agreements that we do need to monitor carefully. Every hospital has a degree of operational flexibility through performance corridors. These are upper and lower ranges of clinical volumes that hospitals can operate within while still meeting their contractual obligations. If the system functioned at the top of its range, we would see a 6.1% system-wide increase in the volume of acute care cases provided compared with 2004-05. Conversely, if the hospital system operates at the bottom of its range, there would be a 3.5% reduction in the volume of acute

care cases provided compared with 2004-05. Hospitals have an obligation to inform and work with the ministry if they are going to fall outside of these performance corridors. This issue is very important and has to be monitored very carefully.

1030

I will now turn to the issue of hospital working capital. Ontario's hospitals currently carry more than \$1 billion in working capital deficits. Hospitals pay approximately \$20 million a year in interest costs on these deficits. These are funds that could be spent on improving patient care. We encourage the government to resolve this issue quickly so that local health integration networks can assume their funding responsibilities with a relatively clean slate.

Just a word about hospital capital renewal. On average, Ontario hospital plants are 40 years old. Their capital construction and upgrade needs are estimated at \$8 billion. Hospitals welcome the ReNew Ontario capital improvement strategy and support the use of a variety of funding models including alternative financing and procurement, or AFP. A number of hospital projects were approved through this program in 2005. That having been said, the future of many necessary hospital renewal projects remains uncertain. Investments in hospital capital are really investments in patient care, and we will work with the government to ensure that it remains an investment priority for the government.

Local health integration networks, or LHINs, are the keystone of the ministry's system transformation plans. Experience in other jurisdictions clearly illustrates that system integration was successful where governments made necessary, upfront foundation investments, particularly in e-health technologies, which both support and enable many aspects of modern health care delivery: administration, education and research, patient safety and system efficiency. E-health is fundamental to the success of further system integration and should be treated as a critical investment priority by the government.

Mr. Cardiff: Let me conclude the way I began. By working together, hospitals and the government have made a great deal of progress in improving Ontario's health care system. We're confident that with time, commitment and the appropriate investments, our communities can continue to access the high-quality care they expect and deserve. All of us who work in Ontario hospitals are dedicated to building a better health care system. Let's keep working together to make this system a reality. We'd be happy to take your questions.

The Chair: Thank you. The questioning will begin with Mr. Prue of the NDP.

Mr. Prue: Two sets of questions: We had a gentleman yesterday in Kitchener who gave us quite a compelling argument about the necessity of new hospitals and that new hospital funding should be in places of high urban growth, particularly in the 905, and that the money should be spent in that direction as opposed to upgrading, building and keeping the older hospitals in places like Toronto, which are not experiencing high urban growth. What is your position on that?

Ms. Short: Well, I don't think it's an either/or. I think all hospitals have to remain whole. Communities across the province have to have equal access. The issue of the funding of hospitals in areas of high population growth is a very complex one. It's one that the OHA and the ministry and the hospitals have wrestled with for a number of years. Getting the right funding formula is the issue before us. So I think that work will continue. There's been in-depth work for many years in terms of how you actually fund all hospitals fairly, and that work will continue. There are some who feel the funding formula for hospitals in areas of high population growth doesn't adequately reflect their needs. That's an area of continuing research and we will continue to work in that field, along with the ministry and the joint forum we have with the government called the joint policy and planning committee.

Mr. Prue: The second aspect I want to ask you about is the alternative financing and procurement, AFP. It's only the Liberals who call it this. Everybody else calls it P3s. It is what it is: It's allowing the private sector in to make a profit on the hospitals. Why do you support this? I'm curious. It's going to end up costing more, and the money that could be used for health care will be siphoned off to someone's pocket.

Ms. Short: That's not the way we see it. As I alluded to, there is approximately \$8 billion of unmet needs out there. If we are to truly modernize the hospital system, have a modern system, that's the size of investment that's needed.

It's clearly a number that no government is going to be able to come up with all at once or meet in any measured fashion, so our feeling is that we need to look at new and creative ways of funding these capital investments. The ideas that are being proposed now, we feel, are very sensible. At the end of the day, the private sector has always built hospitals. I would argue that is going to continue, that there is going to be some upfront support from the private sector. But ultimately, these hospitals are still publicly owned and publicly operated. We believe that just as we in our own lives usually have to find a mortgage to finance our house, maybe this is the kind of approach we need to use to finance the hospitals. All that being said, the care that is provided is public and they remain in public hands. That is why we support them, because we don't see that there is any alternative if we are truly to have a modern system.

The Chair: We'll now move to the government and Ms. Mitchell.

Mrs. Carol Mitchell (Huron-Bruce): Thank you very much for taking the time to make a presentation today. I will be sharing my time with the member for Perth-Middlesex.

As you are speaking to the finance committee, you have addressed the hospital system and, with regard to acute care, the volume. How will that affect the budgets for the hospitals, or does it, whether or not they are high-volume in acute or lower-volume in acute, based on their contract?

Ms. Short: Sorry, I don't quite understand—

Mrs. Mitchell: You've addressed at the top of page 4, "If the hospital system achieved at the top of its range, there would be a 6.2% system-wide increase in the volume of acute care," and then conversely the flip, the other side of the contract or agreements. So is there a financial impact based on the volume of acute care cases?

Ms. Short: The way they work is that the hospital accountability agreement specifies, regardless of whether it's acute care or complex continuing care, which services the hospital is going to provide, how many, and so on. But there is flexibility in there to account for unexpected events, let's say, that aren't within the control of the hospital. Let's say that in a teaching hospital like Garry's, the flexibility is 3% at each end, so you could perform at the lower end or the higher end and still meet your obligations under the hospital accountability agreement, but you have the same amount of money regardless. Is that clear?

Mrs. Mitchell: It's clear. You've identified it as a point. That's why I asked if there was a financial impact of being at the higher end or the lower end.

Ms. Short: No. Your budget is the same regardless.

Mrs. Mitchell: Is that what you're looking for, then, the incentive, to make that part of a financial indicator, the case?

Mr. Cardiff: No. Our point is that there is a potential variation in the total services at the top and the bottom, and we could find ourselves, if everyone is forced for varying reasons—if my hydro goes up, I have no control over it. I have to cut back on services. We could find ourselves at the end of the year with the whole system operating, on average, at 3% below what they thought we were doing. We just don't want that surprise. That's our point.

The Chair: We'll move to the official opposition.

Mr. Tim Hudak (Erie-Lincoln): Thank you both for the presentation. A couple of questions. Currently, hospitals are in negotiations behind closed doors with the government to meet the requirement to balance budgets in line with the accountability agreements. Are the hospitals able to do so with the current funding commitments by the province, and if so, what will be the cost in terms of reduction in services to patients?

Ms. Short: As we alluded to, this is the first time we've gone through this. It is a very difficult process. It's taking time, because what the hospitals collectively are trying to do is to extract all the savings and efficiencies they can without impacting patient care. That takes time. It's a new approach.

As we also said, if a hospital is in the position where it is unable to meet its budget without impacting patient care and services collectively, the government wants to take a look at that. Those are the situations where you get what we call the peer reviews, where you have the external review go in to see if there are other savings and efficiencies that can be made or to validate the case that additional resources are needed. That's why we say that while we think the majority of hospitals will be in a

position to sign an agreement that does not significantly impact patient care, there are others that will not be able to, and that's where the review comes in. But as you know from reading the media in your own communities, this is not an easy process, and it can be controversial.

1040

Mr. Hudak: Even the term "does not significantly impact patient care" implies some impact on patient care, at the very minimum.

Ms. Short: Changes in the nature of the services provided—it is changing certain things.

Mr. Hudak: On the hospital capital side, there's another grave concern. There have been a series of announcements using, as my colleague described, the AFP approach. Our complaint from the opposition's point of view is that very few of them actually have the funding supports publicly announced. We don't know how the financing mechanism is going to work exactly, nor do we really know what year. We've had to call hospitals themselves, who have not been given that information. I'm worried that it's simply a house of cards.

Ms. Short: It cannot be a house of cards. I would say that we are at the beginning of this process, and a lot of it is in the announcement stage. There's a lot of work going on behind the scenes to try and move these forward. The OHA itself is having a special task force to help understand where these projects are all going, because our understanding is that each one of them is going to be slightly different. But no, they haven't begun yet, and some of them won't begin for some time. So while we agree with the approach of these ultimate funding plans, we want to be sure that they come to fruition and that they are done in the right way, in a way that is constructive for each community. But we are at the beginning of the process, I think it's fair to say.

Mr. Cardiff: Not all of them are AFP. My own organization, CHEO, has a major expansion scheduled to start in 2007, and it will be funded in the traditional fashion, with the hospital providing a third of the cost.

Mr. Hudak: Either way, the lack of information is disconcerting [*failure of sound system*] sufficient finances or any in their budget plans to meet these capital needs.

Ms. Short: That's certainly something we'll be monitoring pretty carefully, because clearly the public of Ontario expects to have a modern hospital system. We're hopeful, but we need to monitor it and make sure the projects get off the ground and are done in a reasonable manner and in a reasonable time frame.

The Chair: Thank you for your presentation.

I would remind members to speak directly into their microphone. The system clearly is not as loud as on the road.

CANADIAN HEARING SOCIETY

The Chair: I would call on the Canadian Hearing Society to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up

to 10 minutes of questions following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Ms. Kelly Duffin: I'd like to thank you very much for allowing the Canadian Hearing Society to present before this distinguished committee. My name is Kelly Duffin. I'm the president and CEO of the Canadian Hearing Society. I'm here with my colleague Gary Malkowski, who is our special adviser on public affairs.

The Canadian Hearing Society is a 66-year-old non-profit organization that provides services to deaf, deafened and hard-of-hearing people in 28 offices in Ontario. We come before you today, then, in two capacities: (1) as a community health care provider in the voluntary sector, and (2) as an agency serving people with disabilities. From both perspectives, we will first be sharing with you the priorities as we see them for the provincial budget, and secondly, we'll give you our thoughts on how they can be easily and fully funded.

First, the priorities as we see them for the voluntary sector. This is an increasingly key part of the Canadian economy. A 2005 study commissioned by Imagine Canada and funded by the federal government demonstrated that the non-profit sector now employs two million people. That's almost the job size of the manufacturing industry in this country. At the federal level, an accord and a set of good funding practices was established in 2001 to guide funding and partnership interactions in this key sector. This type of accord should be considered at the provincial level as it is critical for a number of reasons, first, because of the value per dollar delivered through this sector. Many recent studies substantiate the claim of the Ontario Community Support Association that for every \$1 of funding, the voluntary sector delivers \$1.50 worth of value. In part this is due to the unpaid contributions of volunteers; in part it is due to the fact that the voluntary sector organizations are not fully funded by government as a result of client copayments, donations and other contributions.

Second, while that return on government dollars is attractive, it is also unsustainable. CHS has been heartened to receive in the last two fiscal years some increases to our base funding from the province, but those increases have yet to catch up to the erosion of funding in real terms that has occurred in this sector over the last decade or more.

Here are some examples of that erosion and its impact on services. In 1996, cuts of \$19 million in government funding resulted in the closure of 33 agencies and the elimination of 313 programs across 629 non-profit organizations surveyed. Over the last nine years, provincial funding for administrative and core cost expenditures has increased by, at most, 1%. Until 2004, most government grant programs had provided no administrative increases for five years. With inflation, that represents an effective loss of at least 15% in agency operating expenses throughout the sector.

Adding salt to the wounds, some departments have begun to elevate the competition for contracts, often

opting for the lowest-cost provider. In the case of home care, this lowest common denominator approach almost decimated the traditional service providers, who had operated for decades and brought real expertise to their work. More importantly, it left clients in the lurch during a transition and with reduced or eliminated services afterwards. Ultimately, this proved to be an ineffective solution for Ontarians who needed home care, and as a result, the government has gone some way to reverse its original position. But the damage done as a result of that process is, in some cases, irreversible. Worse, history threatens to repeat itself if cost becomes the only factor considered in awarding contracts going forward.

This leads to the third point, which is that salaries in this sector continue to lag behind other sectors. When combined with cuts, constraints and the general climate of uncertainty caused by eroding funding, staff recruitment and retention is increasingly challenging. In a vicious circle, this in turn has the potential to impact quality of service.

For these and other reasons, it's critical that the provincial budgeting process not enable further erosion to this major, underfunded and critical sector. This is especially important given the reforms being implemented in health care. A real potential value of the local health integration networks, or LHINs, could be in enabling hospitals to focus on those activities that only they can do, such as surgeries and emergency procedures that tend to be high-cost. Community health care providers could assume increasing responsibility for other services with the potential to both reduce wait times and costs. This must be premised, though, on appropriate funding for the community health care sector, not further erosion to that funding. Improvements in the health care system as a system cannot come on the back of agencies that are already overstretched or staff that is chronically underpaid.

The provincial budget's funding of this sector and these services will demonstrate the value the government places on non-profits and community health care, and the funding decision will impact all Ontarians. For this reason, it's our strong recommendation that the budget provide for increased funding in the voluntary sector, particularly in the area of community health care. Minimally, this increase should be in the order of 4%, to account for cost-of-living increases over the last year and to go some way to remedy the loss of capacity experienced in the last decade.

Now Gary will make our presentation from the perspective of the disability service provider.

1050

Mr. Gary Malkowski (Interpretation): As Kelly has indicated, the Canadian Hearing Society provides 17 different services, including hearing health care to Ontarians with hearing loss. Hearing loss is in fact the fastest-growing disability, and aging is the leading cause of hearing loss. Approximately 1% of the general population is culturally deaf and uses sign language. Almost 25% of people report experiencing hearing loss, although

closer to 10% of people would actually identify themselves as deafened or hard of hearing and would use interventions such as hearing aids or other amplification devices. This means that at least 1.3 million Ontarians require accommodation for hearing loss, and that accommodation is unfortunately not regularly provided either in government, in health care, in social services or in society more broadly.

To give you a sense of that experience, I'd like you to see the world from the other side of the fence, so we're going to do a little experiment. I'd like you to imagine you are in a doctor's office or in hospital. I'll give you an update about your condition and I'll give you some instructions about medication. This is critical information, so I know you're going to be trying hard to make out what I say. I want to be clear that this is not an overdramatization. This is honestly my experience of interacting with doctors when access service is not provided. OK, so is everybody ready? Here we go.

Witness communicates in sign language without interpretation.

Mr. Malkowski (Interpretation): All right. I signed nice and slowly and clearly. How many of you had difficulty understanding me? OK. What I did was I asked you to take Pramnodel and Hexamine. Did you understand how often you were supposed to take those and for how long? Did you understand my request about monitoring your blood pressure? Did you know what was likely to happen to you next? For most people with a hearing loss, this is a daily reality. Being in a stressful situation such as a medical appointment, it increases their isolation and frustration, and in this situation could lead to very serious health implications.

We chose a health care setting for this type of demonstration for this very reason. There can be no health care without communication.

The Ministry of Health and the LHINs and the services they fund must have a budget line for access and communication. Deaf people will need sign language interpreters. Deafened and hard-of-hearing people will need note-takers or other supports. Devices such as visual—not only audible—alarms must be in place in hospitals. Critical health information should be provided on websites in sign language. Health care centres must be accessible by TTY. I'm going to say it again: without communication, there can be no health care.

Now to the AODA. We applaud the government, indeed all parties, as the passage of the Accessibility for Ontarians with Disabilities Act received unanimous support. Action on this legislation has the real potential to make society more accessible to all people with disabilities and in fact to get closer to equal citizenship and full human rights. That's the good news. The bad news is that at this time no new funds have been announced to make it become a reality. To demonstrate any true commitment to equity, there must be a budget for the AODA.

Lastly, support programs, including the Ontario disability support program—the ODSP—must not be cut.

Indeed, it should be enhanced. ODSP has had no increased funding in five years, which again represents a loss of capacity in real terms. With that loss of capacity comes the real risk of focusing on the easiest to serve only, especially in the employment support streams. There appears to be movement towards leaving harder-to-serve clients on income supports as a cost-saving measure, rather than funding them to seek employment.

The Chair: You have about a minute left for your presentation.

Mr. Malkowski (Interpretation): As you are no doubt aware, employment is a key social determinant of health. Life on income support leads not only to economic disadvantage and reduced participation in the social and financial aspects of society, but also to health and mental health problems that put demands on the system.

Ms. Duffin: Gary did have some other points that will be captured in our submission, which will be coming to you later today. I wasn't aware that we only had 10 minutes for our presentation. So I'll now try to wrap up with how we believe these things would be affordable.

Our first key budget recommendation is related to funding in the voluntary sector, which we quantified at a 4% increase being minimally necessary. Of course, we'd like to see more than 4%, but recognizing that the province is currently in a deficit situation, we see that as a starting point. It also exactly corresponds to the increase in the anticipated provincial budget overall. So it wouldn't require any cuts or percentage changes elsewhere in the budget.

The second key recommendation, which Gary touched on, was access for people with hearing loss being built into the provincial budget in a more systemic way, in the spirit of AODA and to support access in the health care reforms under way. Here we are recommending that, again, as a starting point only, 0.2%, or one-fifth of 1%, of the provincial budget be earmarked for accessibility. Recognizing that there are over 1.3 million Ontarians with hearing loss, that would provide only \$129 of accessibility services a year, and they are the types of things that Gary outlined.

How would this be affordable? We see three primary possibilities, as well as a combination of those three. The first is to reallocate dollars in the current budget. We've already expressed that that would represent approximately 0.2%. The second is to aggressively pursue the fiscal imbalance and allocate some of that for this purpose. The \$129 of accessibility for each Ontarian with hearing loss would represent only 0.7% of that fiscal imbalance. A third option is to raise new funds through a levy, surcharge or small tax premium that would provide accessibility for people with disabilities. To fund it at the same level, this would require \$14—note that that's not in millions—per resident of Ontario, or only \$1.16 per month.

It's also important to note that, as well as these possibilities or a combination of them, 56% of the current complaints received by the Ontario Human Rights Com-

mission relate to people with disabilities—56%. That's as much as sex, pregnancy, race and colour combined. So we see the real possibility that not only would revenue sources generate some of this funding but also reductions in expenses, if the province became more accessible to people with hearing loss.

We have more remarks, but in the interest of getting to questions, I'll leave it at that. We'd also be happy to work with anyone in further exploring these concepts or their implementation.

The Chair: We'll allow one question per party.

1100

Mr. Arthurs: Kelly and Gary, thank you both for being here this morning and making a presentation. A couple of things. You commented, Kelly, in your submission on both the erosion over a decade or whatever period of time, more or less, as the case might be, and that there's been some modest improvement over the last couple of years—not substantive—but we certainly haven't caught up from where we were.

You commented on salaries, both from the standpoint of recruitment and retention. OPSEU made a presentation this morning that focused in much the same way on particular needs, on recruitment and retention over a salary base and creating stability in that sector.

Clearly, you've put some numbers to that, and thank you, because I was going to ask you what the 4% might mean in real dollars. I am pleased, I tell you. You've presented a case that says we recognize some modest inflation, we're in a bit of a catch-up, but we can't do it all at once. So those things are incredibly important.

Would either yourself or Gary comment just a little further on how you would see the funding for the AODA focus? Where would you want to see those monies spent in the early going, if those monies were available?

Ms. Duffin: We imagine two possibilities for accessibility funding generally. One is that the resources could be pooled centrally, so there was now a provincial budget line related to accessibility, and that may be under the auspices of the AODA. The other is that accessibility as a budget line could be built into ministry and department budgets, as well as budgets for the agencies and services that those ministries fund. So we saw two possibilities and would be open to further discussion on that.

The other point, if I can just go back to your point about 4%, is that I wanted to emphasize again, at least according to the 2005 budget, that that was essentially the growth in revenues or growth in overall budget that was already anticipated. So you're right, we're not asking for leaps and bounds as a minimal starting point.

The Chair: Now we'll move to the official opposition.

Mr. Barrett: I thank the Canadian Hearing Society for presenting. You pointed out the frustration and the isolation of people who have trouble hearing or can't hear. What structures are in place, or how successful are mechanisms—and I'm thinking more of young people in larger urban areas to be able to socialize or get together with other young people who have hearing problems.

Secondly—I guess this is an ODSP question—are we able to enable them to get work experience or to get into work programs?

Mr. Malkowski (Interpretation): The difficulty is that the federal agreement has not provided fully for the cost of services. For example, there's an imbalance which is making things much more difficult for this government to implement and operate on a fully funded basis. The biggest problem with access to work experience programs is that high school students, or even students in college and university, who are seeking work experience are not often considered eligible and do not receive ODSP support for those employment opportunities. So there's a real gap there.

What we need is something that I think we would call a transition between school and work. This becomes a really critical opportunity for deaf and hard-of-hearing students to get information about programs that are available within the colleges and universities where there are qualified supports and access. This is where the real gaps exist. The ODSP programs have had the same budgets for the last five years and at the same time the population of youth is growing and the population of youth with disabilities is increasing. So ODSP is not able to meet the need in that growing population.

The Chair: Now we'll move to Mr. Prue of the NDP.

Mr. Prue: Prior to my question, I'd like to preface it with two thank yous. The first is to the hearing society for persisting against all odds to get here today, because your message has been very important. The second is a thank you to Gary Malkowski himself for all the work you did around the Ontarians with disabilities, your own act, which did not pass all those years ago, and your perseverance in keeping up the pressure till we finally got one.

My question relates to ODSP and to the many, many people with hearing loss and other disabilities who have been on ODSP who have not had an increase, or have had one very small increase of 3% two budgets ago. Has the life of most of the people you deal with who are on ODSP significantly worsened over the last 10 years? And how much of an increase would be necessary to get you back to a standard of living comparable to what there was in the early 1990s?

Mr. Malkowski (Interpretation): I can give you an example. There was a special diet allowance of \$250, which was reduced to \$50 at the change of government. So people need help just buying the kind of nutritional food they need. There are many people with disabilities who are also suffering a number of health issues. So this is one area they've suffered a terrible loss in.

Counselling services have also received serious cuts, and this has had a profound impact particularly for people who are deaf and hard of hearing. One of the net results of this is that the enrolment in colleges and universities of young people who are deaf and hard of hearing has been reduced by 75%. So we have only a handful of people getting into colleges and universities. Many who are there find that they can't stay and have to

withdraw because they have no funding and because there aren't the kinds of counselling support services for them when they're there.

So when we talk about the AODA and we're talking about the transition between school and work, the example I gave you just recently with ODSP, they're going to be announcing that they're not including training or the presupport for employment. These are huge gaps that are going to be announced very soon. This is also going to be transferred over to the Ministry of Training, Colleges and Universities, so there's a transition between these two ministries, MCSS and MTCU, but the MCSS has claimed that it's going to be a priority. I think the Liberal government needs to play a strong role in relationship to the federal government and challenging them to take care of the fiscal imbalances so that we can get enough funding to provide these supports.

The Chair: Thank you for your presentation before the committee.

COMMUNITY LIVING ONTARIO

The Chair: I would call on Community Living Ontario to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. David Barber: Thank you. My name is David Barber. I'm the past president of Community Living Ontario. Also presenting with me is Marty Graf, executive director of our local community living association in Tillsonburg. We'd like to thank the committee for this opportunity to bring to you some of the critical needs facing organizations such as the one Marty is director of that provide supports and services to people who have an intellectual disability.

For more than 50 years, local associations for community living have created and operated supports and services for people who have an intellectual disability, and we remain today, collectively, the largest provider of developmental services in the province.

The Ministry of Community and Social Services is currently engaged in a transformation process to establish a plan for the future evolution of this sector. We are encouraged by this initiative and hope that it will result in progressive policy and funding changes in coming years that will significantly enhance the lives of people who have an intellectual disability. We also applaud the leadership of Minister Papatello and her work with other federal, provincial and territorial partners in seeking a federal funding agreement to support these initiatives. We hope that through her efforts we will see significant new federal investments in disability services in the coming years.

While there is hope for future improvements, the developmental services sector is currently in critical need of a significant increase in funding to address persistent and increasing demands that threaten to destabilize the

sector. We will describe in this presentation how an investment of \$1.35 billion over the current annualized funding is needed. Clearly, an increase of funding of this magnitude cannot occur overnight. Given the demands on government, we propose a multi-year approach to enhancing funding to this sector focusing on priority areas of investment in the early stages.

1110

The developmental services sector relies on human support as its primary tool. Eighty per cent of funding to the sector is spent on human resources. It is in this area that service providers are feeling the most acute pressures. We cannot pay workers a wage comparable to those paid by other human service providers in sectors providing similar kinds of support. The effect of this is predictable and profound. The turnover rates of community support workers in the sector are unacceptably high, averaging about 22%. Such a high turnover rate poses significant cost to the sector, given the expense of training and orienting new staff.

Meanwhile, enrolment in college programs that train workers for the sector are decreasing as people choose career paths with a greater promise of providing an adequate living wage. This trend threatens to result in decreased skills in the sector, leading to poorer quality of services and more than likely to grave consequences such as serious harm to people receiving supports, potential lawsuits, and criticism of the government for not keeping its commitment to a strong community support system.

There exists tremendous disparity within the developmental services sector with respect to wages paid. For instance, wages paid to front-line support workers range throughout the province from \$14.55 an hour to \$23.31 an hour. This disparity results in a tremendously destabilizing situation for those agencies paying wages on the low end of the scale as their employees leave to pursue jobs with higher-paying employers. A wage comparability plan must be developed to address this issue. Community Living Ontario is currently working with others in the developmental services sector to explore the key elements of such a plan, which we hope to present to the Ministry of Community and Social Services for consideration.

Employees and the unions which represent them are becoming increasingly restless about the wages paid in this sector. The government has already been subject to court cases related to the failure to meet pay equity obligations. It is time to address the poor wages paid in this sector and, in doing so, research ways of addressing the pay equity burden. By adopting a commitment to parity, the government may be able to negotiate an end to pay equity for this sector, thus ending a very vexing problem for both the ministry and community agencies. Without a satisfactory response to the wage issue, workers may feel that litigation and labour unrest are the only avenues available to them. Last year, there were three work stoppages in the sector.

Of course, the government has made investments in recent years, including a four-year, \$197-million invest-

ment in 2001. Still, salaries paid to community workers in this sector resulting from that increased investment barely kept pace with the cost of living and remain where they have historically been: 25% to 30% below those of other workers.

I would now like to call on Marty Graf to outline our recommendations.

Mr. Marty Graf: We are asking the Minister of Finance to take immediate action to implement an initiative to adjust funding to the developmental services sector to allow community agencies to pay wages comparable to those of other employers. Following are our recommendations of what is needed to achieve this objective.

Given that fully 88% of staff positions are engaged in direct support to individuals, our strategies are aimed primarily at providing an appropriate increase to the primary front-line support worker positions in our agencies. These strategies are aimed at achieving, by April 2009, a wage comparable to that of workers in similar workplaces.

Providing an adequate upward adjustment in wages and further adjusting for an average cost of living of 2% over the next four years, we recommend a salary target for our front-line positions, as of April 2009, of \$24.02 per hour. Based on current salaries, this will require an average increase of 34.5%. Other positions within each agency would be adjusted by a percentage factor equal to that of the front-line position. We also propose that benefits, including EHT, CPP, WSIB and EI, be equalized across agencies at 23% of salaries. Adjustments to benefits must also address the need for adequacy of the non-mandatory benefits such as extended health benefits and retirement savings plans.

We estimate that these adjustments to wages and benefits can be achieved through a targeted annual funding increase to the sector of approximately \$253 million.

We recommend that funding to address wages of workers in the sector be the first priority for new funding. Future plans for the sector envisioned by the current transformation planning process cannot succeed if the foundation of the sector—the quality of our direct front-line support staff—is eroded any further.

Clearly, our primary concern is ensuring the adequacy of supports and services to individuals who require such assistance. This is the aim of the above recommendations. Significant funding is needed as well to address the needs of those who are not currently receiving services or who are awaiting additional services that are not available at this time. Estimates based on regional ministry data indicate that approximately 8,000 people are on waiting lists for support in this sector. We estimate that \$500 million is needed to respond to these needs.

Since 1983, the Ontario disability support plan income supports have been adjusted only once, and only by 3%. Currently, the maximum income payment available through ODSP is \$11,760 annually—less than \$1,000 a month—and many live on an even smaller amount. This income is critical to people with disabilities. From it, they

pay for all of their daily living costs, including shelter, food, clothing, transportation, etc. The amount is not adequate. An increase to provincial funding for ODSP income support of \$600 million is required to provide people with the buying power they enjoyed in 1983 before benefits were frozen.

Government must also focus on continuing improvements to the ODSP employment support system. People with disabilities want to work. Employment provides a tremendous social and economic benefit to individuals. As well, a focus on employment is a sensible strategy for government as it is aimed at increasing self-reliance while potentially reducing an individual's reliance on government income supports.

In all, we estimate that new investments in the order of \$1.35 billion are needed in the developmental services sector. We recognize the magnitude of these recommendations and the challenge that the government will face in addressing them. We recommend that these challenges be addressed through a multi-year funding commitment. Specifically, we recommend that over the next four years the wage issue be addressed through a targeted increase in funding totalling approximately \$253 million annually, resulting, as of April 2009, in a wage for workers in the developmental services sector comparable to other workers.

We also recommend the establishment of a funding allocation mechanism for ensuring parity among community agencies to ensure that those employers who are further behind with respect to salaries catch up with others. Funding allocated to this initiative must be targeted so that agencies use funding to address wages and not other pressures.

We recommend, as well, that income supports paid through the Ontario disability support program be adjusted by an additional 3% in 2006-07, resulting in an accumulative increase of 6% over the three years that the current government will have been in power, which is roughly the amount that the cost of living has increased during that period. In conjunction with this funding initiative, the government should renew its commitment to employment supports. Research in Ontario has demonstrated how investment in good job coaching for people who have disabilities can reduce the cost of ODSP income support.

Finally, we recommend that an initial investment be made in 2006-07 to address the current waiting lists while the Ministry of Community and Social Services completes its transformation planning process which will help guide future investments. This recommendation should be implemented through a multi-year plan aimed at addressing the needs of individuals and families who are waiting for services.

1120

We would like to thank you for providing this opportunity for Community Living to present its concerns and recommendations. Issues facing people who have an intellectual disability in Ontario are complex and require a focused and coordinated response from all parts of

government. We applaud the efforts of the Minister of Community and Social Services, including her commitment to a long-term plan for the sector and for her work to strengthen relationships with federal partners in order to address funding issues. We call on the Minister of Finance and the Legislature as a whole to acknowledge disability as a key priority issue in the coming provincial budget, and we ask for this committee's support to that end.

The Vice-Chair (Mr. Phil McNeely): Thank you for the presentation. We go to the official opposition for questions.

Mr. Hudak: Gentlemen, thank you very much for the presentation on a very serious issue. I think all of us have probably been meeting with our Community Living organizations in our ridings that face these challenges. I've had the pleasure of meeting with three in Niagara, in my riding.

The amount of funding that you ask for, \$1.35 billion, is a significant request; in fact, probably one of the largest this committee has heard at its hearings. That takes you up to \$24.02 per hour for April 2009. That's the highest of the tiers that you're recommending, I believe. Where's the \$24.02? Is that what folks who are working in the institutions are currently paid?

Mr. Graf: That is the wage that's going on out there. Similarly, it's going on within a number of the community agencies as well. So there are a number of agencies that, through other mechanisms, when the HLDAA process was in place, are at an average of \$22 an hour already.

Mr. Hudak: Community-based agencies.

Mr. Graf: Community-based agencies that are paying that already. This graph here shows the variation from the \$14 to the \$22 that is going on currently within our system.

Mr. Hudak: Help me out: Is it OPSEU? Is it CUPE? Is it a mixture that you have working in the Community Living homes—the unions that do the collective bargaining?

Mr. Graf: There's a wide range: There's CUPE, OPSEU, SEIU, Steelworkers and a few others. But the larger components would be CUPE and OPSEU.

Mr. Hudak: It would obviously be a very difficult situation for those who deliver the services or the people in the community if there were a strike in the Community Living organizations. I think one of the unions has talked about that, if they don't get a significant increase in wages. Am I correct?

Mr. Graf: There are documents out there from their planning processes suggesting a big movement by the year 2007, that there could be some province-wide strikes. We certainly don't want to go in that direction. It is very difficult when agencies have to deal with strikes or potential strikes.

The Vice-Chair: Thank you. That's the end of the time. We'll go to the third party.

Mr. Prue: First of all, a very brief question: On page 3, fifth paragraph, it says, "To provide people with the

buying power they enjoyed in 1983 before the benefits were frozen." Is that 1993, or were benefits frozen way back to 1983?

Mr. Barber: It was 1983 that we had the last increase under ODSP, prior to the one that happened just two years ago, where we got 3%. But that means people went from 1983 to 1993—10 years, 11 years or more—before they saw a small increase.

Mr. Prue: I'd like to go into the waiting lists. I hear horror stories constantly in my constituency office. I had a man come in with his son who had severe cerebral palsy but didn't really have a mental disability. But the waiting list to get his son into any kind of accommodation, any kind of group home, is seven years. I understand people in the Pegasus foundation in the beach are talking similarly about getting their sons and daughters in—seven to 10 years in order to get the kind of assistance that you could provide. Is that standard throughout Ontario?

Mr. Graf: The wait lists have continued to grow. For example, in the community of Oxford that I work out of, the list is about 26 waiting for group living. With the funding that's come through in the last year, one individual was taken off the wait list. So at places like that, if you're the 26th person on that list, it's going to take a long period of time.

Mr. Prue: There is some controversy in the Legislature about the closing down of the institutions. I think members of all parties want to close them down, but the opposition wants to see something in place first. They want to know that the people will go to a better place than the institution. What impact would an additional thousand people leaving the institutions have on your waiting lists and your ability to look after them?

Mr. Graf: When we've closed many of the other institutions, our experience has been that when there is good investment going on in community services at the same time that the resources from the institution are going into the community, you do end up with better community services and you are able to accommodate both streams of activity at the same time.

Mr. Prue: I grant that, but in terms of your budget, how much more are you going to need to have an extra thousand people who are deinstitutionalized taken over and looked after by you? That's not in here. You're not talking about how much more you're going to need for that. It's obviously going to be huge.

The Vice-Chair: Your time is up, but if you could answer that in about 10 seconds.

Mr. Graf: Yes. Usually the money that is in the institutional process already, those resources are adequate to follow the individuals into the community. So the resources are usually a straight, "Here's what the resources were in the institution." Those resources are now in the community and they're usually able to adequately support those individuals.

The Vice-Chair: Thank you. Mr. Wilkinson from the government.

Mr. Wilkinson: Thanks so much for coming in. I think Mr. Hudak was right that we all deal with our community living organizations in our ridings. They are a wonderful resource to members, for us to understand that. It helps us to see something we don't see in our day-to-day activities. Many of us have been able to go out and visit, and that's been very educational for us, particularly for newer members.

We're grappling with this issue. You've highlighted what you feel is the inequity about the adequacy of wages in your sector, how people are being bled off into alternative systems, and you're not competitive. You have high turnover; that's hard on staff. I know from a business model it's particularly difficult to retain good people.

We are also faced with this issue of trying to address the ODSP inequity about lack of funding. So the question: From a priority point of view for this budget, the beginning of your multi-year request, how do you rank that versus the need to actually get money increased to the people you're serving? I know that's a very Solomon-type question but I'd be interested.

Mr. Graf: It's a very challenging question. If you look at all the pressures within the system, every one is screaming out to be addressed and they all build upon one another. So we understand, from a government perspective, that you've got to be able to allocate resources to the best of your ability. In consulting with all of our members throughout Ontario—and not just our members of community living but all the people in the sector who are delivering service to people with an intellectual disability have identified this wage issue as absolutely fundamental. If the people aren't there to provide the service, then all the rest of it doesn't matter.

Mr. Wilkinson: Great. Thank you. We'll pass along your comments to Minister Papatello.

The Vice-Chair: The time is up. Thank you very much for the presentation.

CANADIAN TAXPAYERS FEDERATION

The Vice-Chair: The next presenter is the Canadian Taxpayers Federation, Tasha Kheiriddin, provincial director. Would you please come forward? Good morning. You have 10 minutes to make your presentation. To start off, if you would state your name for the purposes of our recording Hansard.

Ms. Tasha Kheiriddin: Tasha Kheiriddin, Ontario director for the Canadian Taxpayers Federation. First, I just want to apologize for the state of the presentation. We had a problem at the printer's, so this is the home-grown version of it.

For those who do not know the CTF, we are the largest taxpayer advocacy organization in Canada. We currently have 72,029 supporters nationwide, of which 17% reside in Ontario. In fact, Ontario has seen the largest growth of any chapter of the CTF in the last two years: an increase of 323%. I think that's in part due to

the fact that there is so much taxpayer angst in this province that we have to deal with.

1130

We have an executive summary of our recommendations at page 2. I will go into detail on each of them in the time that I'm allotted. Let me start simply by saying that, in our view, the Ontario government in the last two years has truly not been honest with taxpayers. Ontarians are being told that higher taxes will lead to better health care, that subsidies to industry will create jobs and that the city of Toronto needs to tax you more to manage its affairs. Also, people are being told that the government cannot balance its budget until 2007-08, and that the fiscal imbalance with Ottawa is at the root of most of its budgetary problems. Meanwhile, property taxes are skyrocketing. That is one of the most critical issues facing taxpayers today, and the government is silent on it.

In the area of health care, which is the largest spending envelope this government deals with, where there is so much room for innovation—and we are seeing other provinces innovate—the Ontario government is taking the opposite approach and closing the door to all sorts of private health care, and not respecting the decision by the Supreme of Court of Canada which also said that private health care is not a threat to the public system. In Quebec, people are allowed to purchase private insurance.

The first point I'd like to deal with is implementation of personal income tax relief. That's at page 4. That's our first recommendation. We've been saying this ever since the health tax was introduced. In the 2003 provincial election—I will put this on the record to remind everyone—Liberal leader Dalton McGuinty signed a CTF pledge not to raise taxes, not to run deficits and to abide by the Taxpayer Protection Act and Balanced Budget Act. This was made at a full-court press conference that our organization was part of. We have this pledge, and he signed it. It marked a significant turning point in the provincial election.

In the 2004 Ontario budget, the health tax was brought in and, so far, the result of that has been to increase the middle income tax rate from 9.15% to 10.6%, which is essentially what it was in 1999. As we made clear last year in our submission, this is essentially reversing all the income tax gains that were made under the previous government. When you look at the amount of personal income tax that has been collected, personal income tax revenues, including the health tax—at page 5—increased by 24% over two years. At the same time, services in health care have been cut, as we know. Optometry, physiotherapy and chiropractic care were delisted. In fact, despite the increase in revenues and increases in federal transfers, as a percentage in year-over-year increases, the current government actually increased health spending less than the previous administration: 17.2% in year-over-year increases for the period of 2004-06, versus 17.8% under the previous government for the period of 2002-04.

Our message is the same as it has been for the past two years: We do not believe the health tax would be neces-

sary if this government had its finances under control. Ontarians are already taxed beyond what they can bear. We would like to see the government implement personal income tax relief by eliminating the health tax and holding the line on other personal income taxes.

Our second point has to do with provincial spending. As is clear from the previous chapter, the government doesn't really have a revenue problem—revenues are up—it has a spending problem. Unfortunately, it has continued to increase spending far beyond the level of population and inflation growth: 9% in its first year and 4.5% last year. We look at the amount of per capita spending that is going on and we can see that it actually exceeds, when adjusted for inflation, the per capita expenses under the government of Bob Rae. We know what the legacy of that government was: \$66 billion in public debt, and that's debt that we're still paying for today.

Contrary to what has been told to taxpayers, there is room for savings in the areas of health care and public administration and through privatization. The area of health care I'll tackle first because it is the most important. It comprises 40% of total spending and 46% of program spending in last year's budget. In addition, we can see that 17.5% of total program spending was related to the operation of hospitals.

This government knows—in fact the Fraser Institute issued a study last year, a very thorough review of hospital workers and wages, that clearly showed they are out of line with the typical wages that would be paid by the private sector for a similar job, such as cleaning or security or other services that are not necessarily health-related. What we recommend is to simply mandate the outsourcing of jobs in hospital support and administrative services where this work can be less expensively performed by the private sector. This is not rocket science. Other provinces are doing this as well.

Ultimately, the health care system in Ontario will have to be reformed. If you look at the increase in health care spending in the past decade, it has increased by 33%. It's gone from 31.5% of the budget to 40% of the budget, and the curve on this is simply going up. Essentially, by maintaining a single-payer, state monopoly system, funding for health care is squeezing out other priorities. The long-term solution is very clear. It's one that's adopted by every single OECD country in the world, which is to have both public and private health care—two systems—operating in tandem, allowing Ontarians and Canadians the choice of health care.

We're seeing movement towards this in Alberta. Recently, the Alberta Health Care Insurance Act is set to be introduced in that province. Quebec and British Columbia have many private clinics currently operating. The Supreme Court itself has said: "It cannot be concluded from the evidence"—that was presented in the Chaoulli case—"concerning the Quebec plans or the plans of the other provinces of Canada, or from the evolution of the systems of various OECD countries, that an absolute prohibition on private insurance is necessary

to protect the integrity of the public plan.” We say the first step here is for the Ontario government to repeal section 14 of the Health Insurance Act, which forbids Ontarians from having private insurance for services currently covered under medicare.

The second area where there is room for cost-cutting is in terms of public service reform and public-private partnerships. The chart on page 9 clearly shows that public sector wages have been increasing at a far greater rate over the four-year span from 2000 to 2004 than have wages for Ontarians in other sectors. What is the reason for this? We cannot see it, apart from political expediency and approving year-over-year increases in contracts that are negotiated by very powerful public sector unions.

If we look at the wages by industry, the increase from 2000 to 2004 for public administration in Ontario was 18%. The average increase for Ontarians in all other disciplines was 10.5%. Again, there is no explaining this in terms of value for money. If taxpayers are paying these wages, they should be getting good value. What we recommend is that the government freeze all public sector salaries at 2005-06 levels and then conduct a thorough value-for-money audit of all departments to determine whether these salaries should in fact be reduced or whether taxpayers are getting value for their dollar.

The Vice-Chair: You have one more minute.

Ms. Kheiriddin: I will move then to two things. First of all, subsidies. A chart on page 13 clearly demonstrates that this government is on a corporate welfare rampage. It has given over \$1.5 billion—

Laughter.

Ms. Kheiriddin: —I wish it were funny, Tim; I do—to various automotive strategies, and we see that employees are being laid off by Ford and GM; bailing out Stelco—that’s still not resolved—the interest-free loan increased from \$100 million to \$150 million; the ethanol growth fund, which doesn’t even obligate Ontario corn producers’ corn to be used—how is this going to help Ontario?—and the advanced manufacturing strategy, to pay companies to modernize when they should have done that anyway, instead of relying on our high dollar for their success.

The final point that I will hit, because I don’t have a lot of time, is property tax. This is the unsung issue. It is a critical issue. You will see on page 18 of our report that Ontario pays the highest municipal property tax in the country. That is, of course, in part due to downloading of services. However, what we are seeing, in combination with an aging population, the implementation of current value assessment and amalgamation, is a disaster. People’s assessments are rising by double—in some cases, triple—digits. Seniors are in danger of losing their homes. It is an issue that we think will be critical in the next two years, and we call on the government to reform CVA before it’s too late.

I see you’re looking at me, so I’m probably out of time. Thank you.

The Vice-Chair: Your time is up. We’ll go for questions to the third party.

Mr. Prue: Let’s go right into the CVA. There are several ways of doing that. The province currently takes in some \$3 billion for education and \$3 billion for other services like daycare, welfare, housing, ambulance services and public health. If those were uploaded back to the province—first of all, the first group, \$3 billion, and the second group, \$3 billion—that would absolutely take the reliance on property tax and probably cut it in half. Would you be in favour of that?

Ms. Kheiriddin: We are in favour of uploading of some services. That is addressed actually in the section on the City of Toronto Act, at the end, which concerns obviously the property tax impact on citizens there. What we do recommend, though, is a change in the way property is taxed in this province. We would like to see the end of CVA. We would like to see a tax cap being implemented, as well as more of a user-for-service model, as is available in other jurisdictions, but we would not rule out looking at some uploading of some services to tie them to income as opposed to property tax.

Mr. Prue: The tax capping was instituted for businesses, and it seemed to work all right for a year or two, but it’s now been lifted over and over again in Ottawa and Toronto because of the cash crunch that those cities are in. What kind of cap would you like to see put back on?

1140

Ms. Kheiriddin: What we talk about is something similar to proposition 13 in California, whereby for evaluation purposes you would not require an independent evaluation of value. The price at which you purchased your home would be the valuation point and there would be a cap on year-over-year increases of a percentage that your tax bill would go up. So 1% or inflation. You could tie it to the cost of living index.

In terms of the city of Toronto and its constant need for money, we address that in the city of Toronto section as well. Toronto has to get its house in order. It should not be getting any additional taxing powers. That is a big mistake.

Mr. Prue: Okay, but if the uploading happened, they wouldn’t need it at all, and they’ve even said as much.

Ms. Kheiriddin: If the uploading happened, considering the record this council has had, I venture they would still be coming to Queen’s Park for more money.

The Vice-Chair: We now go to the government.

Mr. Arthurs: Tasha, thank you for taking the opportunity to present before the committee. I need to start by making a bit of a correction. The government’s stated position is to balance the budget in 2008-09, and 2007-08 if the reserves aren’t needed.

Ms. Kheiriddin: If the reserves, yes; I’m assuming, since you’re going into an election—

Mr. Arthurs: Nonetheless, it’s 2008-09, and if the reserves aren’t needed—anything can happen during an election year.

I appreciate your comments acknowledging that the former government actually increased spending on health

care, during a period of time, greater than the amount we've increased spending on health care. Talk about tax and spend. They managed to leave us with a \$5.6-billion deficit to do that spending. I think you've made an accurate observation.

You made reference to some increase in public sector wages of 18% from 2000 to 2004. I recall some pretty serious strikes. I don't think it was through good public sector negotiations that one saw those kinds of increases. I think it was a lack of ability to negotiate, and allowing a situation to arise where employees found themselves in a situation with a need to withdraw services. I suggest that the strategy we're using to work with the public sector and establish good working relationships and value for money on an ongoing basis—

Ms. Kheiriddin: Is there a question, sir?

Mr. Arthurs: There will be. It's my three minutes, thank you very much.

Can you tell me which of the services you would like us to upload? I don't disagree at all that we need reform of some sort in property tax assessment and that the downloading has put stresses on the municipalities to an extent they can't continue. What service or services would you like us to upload?

Ms. Kheiriddin: We have indicated that in the areas of social housing and welfare there is some room for that. We do not take a firm position on a particular amount or a particular program. We are part of a coalition in the city of Toronto called the JOBS Coalition that is working on a more detailed report on that sort of issue.

Mr. Arthurs: Would that be reflective across the province as opposed to just the city of Toronto?

Ms. Kheiriddin: We're dealing particularly with the city of Toronto, but across the province there may be room as well. We have not looked at that as yet.

Mr. Arthurs: Thank you. I'm hoping that the chair of Durham region, the president of AMO, may be able to provide us a provincial context for all those who are members of AMO.

The Vice-Chair: That's the end of the questioning for the government. Now the official opposition and Mr. Prue—Mr. Hudak.

Mr. Hudak: Thank you, Mr. Chair. No problem.

He was scoring a lot of goals for the government there, so Mr. Arthurs didn't want to give you the puck until the very end.

Ms. Kheiriddin: He took all my time.

Mr. Hudak: Is there anything you wanted to use to respond to Mr. Arthurs's comments?

Ms. Kheiriddin: To respond, yes. In terms of the increase in public sector wages, this government certainly hasn't taken a hard line on that. We're seeing increases that are being negotiated well above the level of inflation. That continues to be a problem. I'm not saying the previous government got it under control either. We're saying that all governments have been at fault in this, and that the public sector in Ontario has increased and that has to stop, when you compare it to the average wage increase for average Ontarians.

In terms of the other points raised, as I mentioned to Mr. Prue, uploading certain services is not simply the end of the equation when it comes to property tax at all. CVA is a huge problem and we get complaints on this in our office more than on any other issue. People are upset with the way current value assessment is not working in this province. It has to be dealt with, and we suggest before the next election.

Mr. Hudak: It occurs to me that Dalton McGuinty likes to engage in the blame game. They always point to previous governments, or it's George Bush's fault there's gun violence in the city of Toronto. If you look at the increase in revenue from the federal government, it's actually almost doubled in the last five years.

Ms. Kheiriddin: Are you referring to the health revenues?

Mr. Hudak: Just the general federal transfers to the province of Ontario.

Ms. Kheiriddin: Yes. This is why we're saying that the federal transfers have increased substantially in the past two years; as well, the health tax has been collected. Yet the percentage increase in terms of the budget on health care has been less than the previous government. We certainly don't recommend that this government go into a deficit position, but like we said, you don't have to do that if you spend more efficiently in other areas, if you allow the development of more private health care to take pressure off the system and if you keep public sector wages under control instead of simply imposing another tax to do what you should be doing anyway.

Mr. Hudak: We've seen revenue up \$14 billion in the last, I think, three years, yet the government still continues to run deficits. Do you think their spending financially—they've had an increase in revenue of \$14 billion.

Ms. Kheiriddin: We know that overall program spending has gone up 9% in the first year and 4.5% in the second, which, like we said, is inexcusable considering inflation, population growth, hovering between 2% and 3%. There's no need to be adding programs to the list that's already being delivered. They should more efficiently deliver the ones that are there or cut back things that don't need to be there in the first place.

The Vice-Chair: Thank you for your presentation. That's the end of the questions.

ASSOCIATION OF MUNICIPALITIES OF ONTARIO

The Vice-Chair: The next presenter is the Association of Municipalities of Ontario. You have 10 minutes for your presentation. Please state your name when you start, for our recording by Hansard.

Mr. Roger Anderson: Chair, could I just get clarification on the presentation time? We were told 20 minutes.

The Vice-Chair: It's 10 minutes for your presentation and 10 minutes for questions.

Mr. Anderson: I see. Thank you very much. My name is Roger Anderson. I'm chairman of the region of Durham and president of the Association of Municipi-

palities of Ontario. With me are two of the best staff in the province—fortunately, they work in the municipal sector—from the association.

AMO has long advocated for strong communities. Ontario's citizens expect all three orders of government—federal, provincial and municipal—to work cooperatively in the interest of these priorities. I think we all agree that Ontario municipalities are struggling under an unsustainable fiscal situation.

In 1998 the province sought to balance its books by pushing provincial programs and service costs on to the municipal property tax bill. As a result, the province improved its fiscal situation and municipal governments were left with a mess. This mess must now be addressed in the interest of all Ontario municipalities and Ontario's future prosperity. Without dealing with this systemic problem, the government of Ontario will have a very difficult time in its objectives of creating a new generation of economic growth.

As Leader of the Opposition, Premier Dalton McGuinty said of the downloading: The Harris government "had better return to the drawing board now and come up with a better solution fast before they do any more damage." At the same time, he also said, "The property tax system, when it comes to paying for social services, is a recipe for disaster." These statements were made a number of years ago and today we still have no plan to address the problem.

The new Ontario municipal partnership fund is not the plan. It is a reshaped, resized band-aid for municipalities. For some communities, it is an improvement to the former community reinvestment fund, but it will not do the job that it's required to do. The longer we wait, the more it will cost us in lost opportunity and investment in core municipal responsibilities such as transit, transportation and essential water and waste water infrastructure.

The facts speak for themselves, ladies and gentlemen. Ontario property taxpayers pay the highest municipal property taxes in the country. As of 2003, provincial health and social service costs consume an incredible 25% of municipal property tax revenues. No other jurisdiction in North America funds health and social services this way. No other jurisdiction has chosen to follow Ontario's download example.

There is a resulting \$3-billion dollar gap between the costs municipalities pay to fund provincial health and social services programs and the province's contributions to these programs. That \$3-billion gap leaves little room for investment in municipal infrastructure, and the result is a massive and growing infrastructure deficit that can no longer be ignored.

It is time for the province to turn its attention to the needs of Ontario's municipalities. This government delivered a multi-year health care budget in 2004 and a multi-year education budget in 2005. In 2006, Ontario needs a multi-year municipal budget that recognizes the needs of every community in this province.

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AMO is urging this committee and all Ontario MPPs to seize the following three priorities in this year's bud-

get: Provide an immediate and meaningful reduction in the municipal contribution to the provincial health and social services program, with a view to the eventual elimination of the \$3-billion gap; commit to ensuring that predictable and sustainable revenue is available to all municipalities; and commit to providing a plan to eliminate the municipal infrastructure deficit over time.

We recognize that the province has a range of goals to achieve. Competing demands and limited fiscal resources are a reality for all orders of government today. However, Ontario is the only province in this country that requires municipalities to subsidize health and social services programs. That means, in effect, that one out of every four dollars that municipalities collect in property taxes is remitted to the provincial treasury. As a result, Ontario property taxpayers have the highest property taxes in the country.

Municipal governments are forced to defer investment in municipal services and infrastructure, while individuals and families in Ontario communities watch services decline. Municipalities have not been able to keep up with capital infrastructure needs while trying to hold the line on property taxes. This inequity has resulted in a deferred maintenance and delayed infrastructure investment of about \$5 billion annually.

AMO appreciates that the provincial government has taken steps to shield municipalities from escalating costs in the areas of public health and child care and is making a welcome offsetting investment in municipal public transit. However, a great deal more needs to be done if Ontario communities are to be livable, sustainable and competitive in the national and global marketplace.

There is a growing understanding of the challenges that municipalities are facing as well. Leading academics, economists and public policy research institutes agree with municipal governments and property taxpayers that requiring municipalities to subsidize provincial services is not good policy. We all agree that it is not economically sustainable as well.

In speaking to this very committee last December, the Honourable Dwight Duncan, Minister of Finance himself, acknowledged that "although municipalities have benefited from the gas tax and other recent measures, they continue to feel the effects of downloading from the previous government." The costs of these downloaded services have compounded, having risen steadily, and in many cases quite sharply.

A system that subsidizes the province by \$3 billion annually is not a system that supports communities. It is not a system that supports accountability for municipal property taxpayers either. And it is not a system that creates opportunities where opportunities are needed most.

Ontario municipalities play a large part in building strong, productive and competitive communities across this province. We construct, maintain and operate the entire spectrum of facilities required to deliver water and sewer services, transit and transportation, waste management, cultural and recreational centres, and parks.

In the information age, viable, safe, well-serviced communities attract jobs and investment. Yet growing responsibilities and shrinking resources are stifling our communities, both large and small. A key priority for the province must be to ensure that municipalities function well and provide a foundation for Ontario's and Canada's economies.

The Ontario government's Water Strategy Expert Panel released its report on Ontario's water infrastructure, estimating that Ontario will require a \$34-billion investment in the water system alone over the next 15 years. If we were not subsidizing the province for the last 10 years, that \$3-billion gap would have resulted in a \$30-billion potential investment in infrastructure.

Provincial and federal government investments in transit and environmentally sustainable infrastructure are a further recognition that municipal governments are not in a financial position to make such investments. In fact, the federal and provincial gas tax revenues for Ontario municipalities will amount to just over \$1 billion when they are fully mature. One billion dollars in additional revenue for municipal infrastructure is important progress, but it does not do the job of solving the \$5-billion-a-year infrastructure deficit. Ontario municipalities need long-term structural solutions by this government. We need a sustainable framework that matches appropriate revenues to the services that we provide. The current arrangements leave municipalities vulnerable to ongoing and anticipated growth in the provincial programs that we currently subsidize, like drug and disability benefits, and leave us vulnerable to considerable risk where costs are tied to economic shifts, such as Ontario Works.

The former community reinvestment fund, CRF, did partially offset small portions of the cost of provincial health and social services programs. Last year, AMO petitioned the government of Ontario and this committee to ensure that the 2005 budget included CRF reconciliation funding owed to municipalities. We were very pleased that the government did the right thing and fulfilled its CRF reconciliation obligations.

The replacement for the CRF, the Ontario municipal partnership fund, provides limited assistance to many municipalities. The grants for 2005 were a total of \$656 million, distributed to 87% of municipalities. Like the CRF, OMPF is underfunded, and it is designed to address the symptoms but not the disease.

The Chair: You have about a minute left for your presentation.

Mr. Anderson: With clear municipal winners and losers, the OMPF has to date proven to be very difficult to implement. AMO has urged the provincial government to maintain the stable funding guarantee in 2006 and onwards, until real steps are taken to address provincial-municipal fiscal gaps.

I congratulate the Minister of Finance for the increase in the amount of \$51 million that will benefit some of the municipalities this year. The one-time special assistance in OMPF will ensure that no municipality will see OMPF reductions in 2006.

Municipal contributions to Ontario's prosperity cannot be overstated. Municipalities in this province are being forced to compromise the future of our communities, more so than at any other time in our history. We have an opportunity to turn this situation around with the co-operation of the government of Ontario. That situation can only be improved if the government of Ontario sits down with the Association of Municipalities of Ontario and starts to wean itself off of the money that we pay to the provincial treasury. We're prepared to start doing that today, tomorrow or next week, but it has to start, and it has to start soon.

Thank you very much.

The Chair: Thank you for your presentation. This round of questioning will begin with the NDP and Mr. Prue.

Mr. Prue: You began the last one with me. I'm willing to do it, but I asked the first question last time.

Mr. Hudak: Yes, I think he's right.

The Chair: Okay. We begin with the government.

Mrs. Mitchell: Thank you very much, Roger, for coming and making the presentation. Certainly, it is a recurring theme that we have heard, addressing the \$3-billion gap, so I do want to acknowledge that.

But we have also heard many presenters talking about property tax reform, and there certainly has been lots of conversation that's happened over the years. You heard the previous presenter talking about tax caps and all that type of thing. I don't want to get into the gap, because you quoted the minister, you quoted the Premier, and you've certainly documented the \$3-billion gap. What I wanted to talk about was your opinion, how you see property tax reform moving forward, if there is a willingness to move in that direction.

Mr. Anderson: The way municipalities levy taxes is not a problem; it's what municipalities have to levy taxes for. Municipalities shouldn't have to levy taxes for provincially mandated programs. We should levy taxes for what we do. You take back what you're responsible for and we can reduce taxes by one third, or we can put that one third into an investment in our infrastructure, in our sewer and water programs. If water isn't the number one priority of this government, I don't know what is. If you freeze taxes, then you're going to cut programs, because that's our only option. The bills you send us—we don't have any discretion; we don't get any proof of how much it was. We just get a bill.

Mrs. Mitchell: So you see it, Roger, as being an adjustment of a third, basically, on an average property tax?

Mr. Anderson: We're sending one dollar out of every four we collect to the province of Ontario.

1200

Mrs. Mitchell: I see the member from Perth-Middlesex is anxious to ask a question.

The Chair: Quickly.

Mr. Wilkinson: Just following on: If we are able to get a newer understanding with the new federal government about the imbalance, if we uploaded all the soft

services off the hard taxes, which I think we all agree is a public policy mistake that needs to be corrected, that would then free up the municipalities to actually focus back on the hard services that their municipal taxpayers see. I think we're all on the same page. That's the place we need to get to.

Mr. Anderson: If I had the 15 minutes we thought we had, I would have said exactly what you just said. The government of Ontario and our opposition parties have an opportunity today to do something that hasn't been able to be done for a long time. We have a Prime Minister who's willing to discuss with the provinces the fiscal gap. We think you should take every advantage of that and get back some of the money you so rightfully deserve.

Mr. Wilkinson: And you'll join us?

Mr. Anderson: We'll be at the table with you. But I want you to understand that you as a government can look so much better, not only to Ontario but to the federal government, by your entering into the same agreement with your partner, which is us. Why would the federal government, in all fairness, give you money? You're the only province in this whole country that forces municipalities to pay for your services. So enter into our agreement and then go to the Prime Minister and say, "We did what you said you were going to do. Now you do it."

The Chair: Thank you. Now we'll move to the official opposition.

Mr. Hudak: I think we all agree that the province's revenue has gone up some \$14 billion in the last three years, so the province does have room to address priorities. Unfortunately, AMO's case is they haven't received the funding that they believe should flow through to municipalities.

There are really three approaches. You can upload a service to the provincial level or you can increase transfers to municipalities to deliver existing services. The one the McGuinty government seems to be pursuing is getting municipalities more taxing authority, like for theatre tickets and alcohol beverages and that sort of thing. What's your view on the best way to proceed?

Mr. Anderson: Despite what I heard from the previous delegation, no matter how much taxing authority you give us, it's not going to cover the \$3-billion gap. No matter how much you give the city of Toronto, it's not going to cover the \$3-billion gap. It's absolutely impossible.

We firmly believe that if you allow us to deal with the responsibilities that you originally assigned to us as municipalities—which are now an order of government and your partner—we don't need any more authority to increase taxes. We'll be able to manage our own business the way we normally do and we won't need other sources of revenue, although, as opposed to increasing property taxes all the time as the sole source of revenue, I don't think it's up to us to say any municipality should not have an alternative source of revenue other than the property taxpayer. Taxes are out of control. Property taxes have reached a limit. Seniors are going to start losing

their houses. Every time we do a budget, that's the first thing we hear. Unfortunately, when you do your budgets, we're just passing on your bill. It doesn't work.

Mr. Hudak: You've also made some very strong statements about OMERS and the impact on the municipalities. Mayor McCallion today said that it makes any previous exercises look like "chicken feed," I think was the term she used. What's your feeling on the impact of OMERS to exacerbate the situation that you've brought forward?

Mr. Anderson: Bill 206 is the worst piece of legislation I've ever seen. I can't be any more blunt than that. There isn't a municipality in this province that supports it. Out of the 900 employers who are members of it and employees, I think you have two groups in favour of it. That's got to tell you that there's something wrong. I think it's more than appropriate that the government of Ontario takes a long second look at this legislation. Listen to some of the delegations that appeared here on Bill 206, and take some of the amendments they thought of, as opposed to some of the amendments that the two or three groups in favour of it thought of. It's just bad legislation. It's a 3% tax increase on the municipalities.

Mr. Hudak: Why do you think they're proceeding?

Mr. Anderson: Why do I think they're proceeding? I have no idea. We're still waiting for the information that we filed for freedom of information from the province to justify it.

The Chair: Thank you. We'll move to Mr. Prue of the NDP.

Mr. Prue: Thank you very much. What you said earlier—and I think we've heard it before—is that Ontario is the most highly taxed re municipal property taxes in Canada. It's my understanding that it also has, next to some parts of Britain, the highest property taxes in the entire industrialized world. Is that your information as well?

Mr. Anderson: As president of AMO, I have a tough time keeping track of Ontario and parts of Canada. I certainly don't want to go outside of our borders. I know the provinces and the territories, and I know we're number one in taxes.

Mr. Prue: You talked about \$1 out of every \$4 going to back to the province, but surely it's more than that. If you include education, it's really \$1 out of every \$2, is it not?

Mr. Anderson: I think it might be a little less than that.

Mr. Brian Rosborough: As a clarification on your remarks, I think the education funding derived through the property tax is actually about \$6 billion a year, not \$3 billion, and then the \$3 billion of property taxes that goes into provincial health and social services.

Mr. Prue: The reason I asked is that on page 12 and the top of page 13, "Amazingly, almost half the local property tax base"—49% or \$1,663 per home—"is for provincial services." Everybody's throwing around numbers and I want to make sure that I've got yours right. Is it a quarter or is it a half?

Mr. Rosborough: That refers to taxes for Peel region. At the regional level, where municipalities are charged with actually delivering those social services and health services, it's as high as, for example, 45% in Peel.

Mr. Prue: Of all of those social services—health services, public health, daycare, welfare, housing, ambulance services—that are there, we've had some discussions about which ones should come off. The government may not be able to take them all off in one year. In what order—we've heard from northern communities that they think it's ambulance. We've heard from some of the more urbanized communities that they think it's welfare. We've had a couple who have said that they think it's social housing. An Ontario plan: Which ones should come off first? On behalf of all the municipalities, in which order should they be taken off?

Mr. Anderson: Mr. Prue, we'd like them all taken off, but we know it can't happen tomorrow. We're prepared to sit down and start the process, and we'd like the process to start in 2006. If you want to make municipalities really happy, walk into the Good Roads conference in about three weeks and say you're going to pay your bill on ambulance, just your 50%, because most of us are paying 70% of the bill. But what we're asking, Mr. Prue, is that the government of Ontario, the Minister of Finance and whoever at this committee, sit down and start a process where we can take \$3 billion—and those are 2003 dollars—off the property taxpayers. We know it can't happen in one year, but we're certainly prepared to make it into a five-year program.

The Chair: Thank you for your presentation. The committee is recessed.

The committee recessed from 1208 to 1306.

INSTITUTE FOR COMPETITIVENESS
AND PROSPERITY
CANADIAN CENTRE
FOR POLICY ALTERNATIVES
SCOTIABANK GROUP

The Chair: The standing committee on finance and economic affairs will now come to order. Good afternoon, gentlemen. We're pleased that you can be here with the committee this afternoon. Each of you will have 10 minutes to make a presentation—I'll give you a one-minute warning if need be—and then we'll go into a round of questioning from all three parties. We have up to an hour for that. I would suggest 10 minutes for each party in two rotations. That way, you could maybe come back to something that's been said before or follow up or whatever. So we'll go 10 minutes for each party, twice in rotation.

Gentlemen, what I'd ask each of you to do is to state your name for the purposes of Hansard. We can get that on the record. Then I'll ask Mr. Martin to begin. So if you would each identify yourself.

Mr. Roger Martin: My name is Roger Martin, dean of the Rotman School of Management at the University of Toronto.

Mr. Warren Jestin: Warren Jestin, chief economist, Scotiabank.

Mr. Hugh Mackenzie: Hugh Mackenzie, research associate with the Canadian Centre for Policy Alternatives.

The Chair: Very good. We have that completed. Now, Mr. Martin, you have up to 10 minutes.

Mr. Martin: Okay. What I will talk about is the competitiveness, productivity and prosperity of our province, and my core message is going to be that we currently are under-investing in future prosperity and consuming too much of our current prosperity, and that is hurting our long-term prosperity and competitiveness.

Just quickly on this, we compare Ontario to the other jurisdictions in North America that are half our size or above. That turns out to be 14 US states and one other province, Quebec, because Quebec is 7.4 million to our 12-and-change million. Against this group, we are behind by \$6,000 in GDP per capita, which is a pretty substantial gap. You might quickly say, "Well, that's just because they're a more prosperous country and that's the way life is." Well, it's not the way life has always been. In fact, as recently as 1989 we were actually ahead of the mean by \$1,000 in GDP per capita, and we're now behind it by \$6,000. Every time we say it's hard to fund education and health care and everything to the extent that we want, the real reason, more so than any other reason, is that we have lower prosperity with which to afford all those things that we would like to buy. It was not the case in 1989 when we had as much to spend—individually, as businesses, as governments—as those peer states. It all comes down to decisions we make on whether to invest in growing future prosperity or consuming our current prosperity. All societies have got the option to do either, and the price to pay for having high consumption and low investment is that this line on the graph moves out more slowly and the choices are made at a lower level in the future, and if you have relatively lower consumption and higher investment, these lines move out more quickly, so you have more to spend in the future.

Governments, businesses and individuals all have the choice every day to either invest for future prosperity or consume current prosperity. An individual can choose to get more education. That doesn't do anything for them right at that moment; in fact, it takes them out of the workforce, typically. It's all an investment in future prosperity, and that's why it's on the left-hand side of this chart. Or they can take leisure time, which is consuming. Government can build infrastructure or spend on research and development, and that is a pure investment in future prosperity, or invest in things like transfer payments for the less advantaged. Are those a bad thing? No. They're one of the things we do to consume the prosperity we have. However, if we end up consuming too much and investing too little, we will develop, as an economy, to a lesser extent. So it lowers the prosperity potential for the future and, most importantly, reduces consumption opportunities in the future.

If we say, "Is this really a big deal?" the state to look at is Massachusetts versus Ontario. In 1977, not that long ago, we had the exact same standard of living as Massachusetts. Now their standard of living is 50% higher than ours: \$19,000 in GDP per capita. That means, for a family, \$72,000 higher—a huge, huge difference. And that's two economies that were, not that long ago, at exactly the same level of prosperity. Why would that be? It would be because consistently Massachusetts—its people, its governments and its businesses—have invested more in generating future prosperity, and they're now in a position where as a government, for instance, they can spend more and invest more every year and their people have much more to spend.

To give you an example, their businesses invest more every year in machinery, equipment, computer hardware and software, to the tune of 11% to 12% more over a long period of time. When given the choice of investing in the future competitiveness of the companies, they do more of that. Governments have ramped up investment dramatically. This is just a picture of the decade from 1993 to 2002 and the decisions of governments to either spend money on consuming current prosperity or investing in future prosperity. The dark bars are the consumption, which is bigger than investment in both cases. So what you can see is that during this decade, Ontario, in order to get its fiscal house in order, cut both, but it cut investment twice as much as it did consumption, whereas in Massachusetts during this period they ramped up investment almost four times as much as they ramped up consumption. They're rich enough now that they can invest in building future prosperity to a greater extent than we can and consume current prosperity to a greater extent. You can see that their 2002 bar is higher. That's the kind of payoff to wise investing now; you get the payoff in the future. One thing that Massachusetts invested in to a much greater extent is post-secondary education. Now, this is investment by everyone: the students and their families, the government, donors and the like. They consistently invest in creating a skilled workforce to the tune of approximately four times what we do per capita—four times.

This is a story about the fact that if you invest now, you'll have all sorts of opportunities to be prosperous in the future. One thing that discourages investment, especially by our businesses, is that we have a very high marginal effective tax rate on business investment. I wish it weren't true, but arguably, among all developed countries on the face of the planet, we have the highest tax rate on business. What you'll notice from this chart is that there are countries that have relatively high tax rates—Sweden. The horizontal bar says how high your taxes are in general, what percentage of the economy is taken up with taxation. You can see that Sweden is way off to the right. However, they've figured out that you've got to have businesses investing to be prosperous and they have an incredibly low tax rate on business. Socialist Sweden has an incredibly low tax rate on business, whereas we actually have a medium tax level but have

extremely high tax rates on business. High tax rates on business ensure that they invest at a lower level than they would otherwise, so they provide fewer jobs and lower-paying jobs that impoverish the economy.

You'll notice that the United States is not great on that front but has a very low tax structure overall.

Germany, Italy and France have the worst of both worlds: They've got high tax rates that discourage business investment—high taxation generally.

Our message is that we need to rebalance. The rebalance I've talked about most is from consumption of current prosperity to investment in future prosperity. This is an easy thing to not do, right? It's always easy to consume current prosperity. In my view, we need to have a target. Just like the Bank of Canada has an inflation target and said, "We're going to take action to make sure inflation doesn't get above this number," similarly we have to have an investment/consumption target. In the government's spending, we have to have this much investment for every dollar of consumption, because otherwise we will cheat investment every time for a little more consumption. We've got to rebalance from taxation that discourages business investment in many ways, which we have now, to taxation that encourages business investment.

Sweden proves beyond a shadow of a doubt that this is not a left-right issue. A leftist economy, which has been leftist forever, has figured out that taxing businesses highly is just bad for everybody involved.

There are other things in the report that I won't go into, in keeping with the time. Fiscal federalism, innovation, commercialization are things we've got to rebalance as well, but the one I want to leave you with is rebalancing from consumption to investment, and that is necessary for the health of this economy in the long term.

The Chair: Our next presenter will be Mr. Mackenzie.

Mr. Mackenzie: I'm going to make a relatively limited number of points, and they're different points than the previous speaker made. It's always tempting, when you get on panels like this, to talk about what the guy who spoke just before you talked about instead of what you came to talk about. I hope we'll get a chance to talk about what Roger talked about as well.

I've got six key points to make. It would be my view that some of these points dovetail with some of the points Roger Martin has been making, although he might not agree.

I'm focusing on the narrower question of the province's fiscal position: where it stands at the moment and what our needs are, heading off into the future. I've got basically six key points to make.

One is that if you look at the current fiscal situation, notwithstanding the pleas of poverty that you're hearing, the government is actually ahead of its deficit reduction schedule.

Secondly, and this is actually borne out by one of the slides that was just up, in the aggregate, Ontario's public

services are not being rebuilt, despite the claims of the government to the contrary.

In particular, in my view, probably the most shameful gap in the government's policy is its failure to address issues of poverty and income inequality.

Here's one of the places where I dovetail enthusiastically with Roger Martin: We've had a great deal of yakking about rebuilding infrastructure but not a lot of action.

1320

The combination of the two things I just raised is creating a hugely dysfunctional fiscal relationship between the province and local government, and I think that's beginning to have significant negative implications for our economy as those engines of our economic growth, local governments or the local areas in the province, are really struggling to maintain both their service levels and their infrastructure investments.

I conclude by making a point which I think I've probably made here before, that at the root of all these problems is a problem of fiscal capacity. A number of other things happened in the 1990s that weren't alluded to in the previous presentation. One of them was a massive cut in taxes that, in terms of the service needs and the infrastructure needs of the province, we couldn't afford.

I'm just going to put some pictures up here that I think illustrate these basic points. To put this first slide together, I looked at the government's four-year projections. One of the nice things this government has done that previous governments did not do is that it has actually made a serious effort to provide forward-looking forecasts in a bit more detail than the very simple-minded, big black graphs that we used to see in budgets that always showed everything being wonderful four years from now. The government has so far released four of these four-year forecasts. They do it at budget time and they do it again in November or December in the economic statement.

This chart plots the forecast budget balance through this cycle. You can see that the initial target of the government—which I'll remind you was helped along a lot by an accounting change that they thought they would be able to implement in 2005-06 but it turned out they couldn't—shows the path towards budget balance as it was originally announced in the 2004 budget and continuing in the 2004 fall update. The dotted line is the forecast as of the 2005 budget. This is an interesting one, because the 2005 budget actually came in after the end of the fiscal year 2004-05, yet it was spectacularly off in its projections of the deficit. It was projecting a deficit of about \$3 billion but the deficit came in at about \$1.6 billion, and this is despite having loaded on some end-of-year adjustments. In the fall of 2005, you can see that it recognizes the reality of 2004-05, but then very quickly heads back to the forecast in the 2005 budget that was so spectacularly off.

The answer to the mystery of how these forecasts changed from 2004 to 2005 is found in the next chart,

which looks at federal government transfers to Ontario. The 2004 budget forecast transfers starting at about \$10.8 billion in 2004-05 and going to \$11.8 billion in 2007-08. Then we had a minority government, and significant new federal investments in health care in particular, and we had a bump up significantly in that line. That's the major reason why the budget balance targets are running ahead of themselves.

Despite all of that activity, one of the things that's really remarkable—and the government does a pretty good job of making a lot of noise about the areas in which it's making significant new spending initiatives. There's been significant new spending in elementary and secondary education, in post-secondary education and in health care, but if you step back and look at what's happened to the public economy as a whole, you find, remarkably, that according to the government's current four-year projection, program and capital spending as a share of GDP will be lower in 2008-09, the last year of their forecast projection period, than it was in the fiscal year in which they took office, so this change is very selective.

In the introduction, I made a particular point of talking about income security programs and social assistance in particular. One of the things that I certainly felt was most outrageous of the things the Harris government did was the massive cut in social assistance rates and ODSP rates that was implemented in the summer of 1995, virtually the first thing the government did. What is shocking, though, is that when you measure it in real terms, the purchasing power of social assistance benefits and Ontario disability support plan benefits in this province now is lower than it was when the government took office. Despite the 3% increase in rates that took place at the time of 2004 budget, people dependent on social assistance are actually worse off today, in real terms, than they were when the government was elected.

The next chart shows in fairly stark terms what that implies. This is a measure of the percentage increase that would be required in disability benefits in order to get back to their real level in 1993. It shows that that gap has grown significantly since the election. It dropped noticeably in 2004 when the rates were increased by 3%, but they have not been adjusted for inflation. As we sit here today, the real purchasing power for the least advantaged in our society is worse than it was at the end of 10 years of pretty regressive government from the perspective of people who have those dependencies.

I want to take a moment to talk about infrastructure funding. Here's an area where we've really had a great deal of talk without a whole lot actually happening. The government, curiously enough, has adopted a thinly disguised version of P3s as its one and only way of funding infrastructure development. Despite commitments to transparency that keep being made over and over again by the government, we really only learn any details about these things when somebody takes the government to court and forces the disclosure of this information.

When we get disclosure, what we discover is that the embedded financing costs for borrowing money for

public infrastructure through P3s are exorbitant relative to what it would cost the government to do itself. So in effect, in order to accomplish what amounts to a change in the accounting reporting of capital spending, we're spending far more for the same capital investment than we could—I think I'm probably running out of time, am I?

The Chair: You have about half a minute left.

Mr. Mackenzie: Okay. Let me just turn to my last point, which is about the issue of fiscal capacity. I actually wasn't going to talk about this today, but then I picked up my newspaper and the Premier again is talking about widening of what he calls the fiscal gap from \$2 billion in 1995 to \$23 billion this year, so I couldn't restrain myself.

1330

The fact is that when you look closely at the numbers, what you discover is that most of the swing in the fiscal gap as measured by the government from \$2 billion to \$23 billion is a feature of the fact that in 1995 the federal government was running a massive deficit and in the current year it's running a big surplus. Of course, in 1995 the gap was small because every province was getting a better bang for their buck because the federal government was spending more than it was taking in. If you get rid of the influence of the swing in the surplus/deficit position of the federal government, the revenue/spending imbalance actually does not look like it's changed nearly as dramatically as the Premier suggests. The interesting thing is that if you look closely at the components of the gap, about half of the \$23-billion gap is attributable not to federal government spending but to the fact that Canada's revenue system raises more per capita from Ontarians than it does from the country as a whole. Why does it do that? Because Ontarians tend to be wealthier than the average Canadian, they tend to pay higher taxes than the average Canadian, and therefore the federal government gets more revenue per capita from Ontario than it gets from other places. So it's not a gap that is going to resolve anything.

My final slide, just as I'm finishing, is that if you want to find where the problem is with Ontario's fiscal capacity, you just have to look at the tax cut record of the 1990s to figure out how we got ourselves into this situation where we're not able to afford the public services and the infrastructure that we need.

The Chair: Thank you very much. Mr. Jestin will begin his presentation.

Mr. Jestin: Let me just get my slide show up here—competing slide shows.

What I'm going to do is come at some of the issues that have already been addressed, particularly by Roger, and make almost exactly the same point as he did from an entirely different point of view. It's really in two parts: I'm going to give a brief overview as to how I see the competitive realities changing for Ontario, and then focus on some of the policy recommendations we made at the end of our paper that we brought along, which Mary Webb and I wrote over the last few days.

The point of the first slide is that the economic landscape is changing pretty rapidly. We believe that in Canada and the US, growth is going to be, in Canada's case, below 3% over the next couple of years, basically where it's been over the last four; the US is slowing down. Europe is probably caught in a growth trajectory that is under 2%, and while Japan is accelerating, 2% is about as well as it'll do as well.

What's really happening globally in terms of shifting balances is that emerging economies are taking over in terms of overall economic weight. We believe the type of growth that we're witnessing in China right now is going to continue. It's very important for Ontario in the longer term. Last year's growth in China was about 9.9%. We think it's going to be in the 9% range over the next couple of years. It has in fact been around 8% on average over the last 20. India also is expanding. Both economies are doing much better than analysts expected at the beginning of the year. So that's a global scenario. Growth is moving east globally, to Asia and other developing areas.

In Canada, of course, growth is moving west. Where you see these three time periods, inevitably, we think, over the next couple of years BC, Alberta, Saskatchewan, even Manitoba, will tend to be at the top of the scales. Newfoundland, because of energy, and perhaps the offshore in Nova Scotia will bring their growth rates up. But Ontario and Quebec will be in the slow lane. We expect, in Ontario in particular, that growth over the next couple of years will do well to exceed 2%. By the way, our whole forecast is outlined in the document that I brought along.

Explaining the significance for Ontario really begins with this particular slide. On the left-hand side, you'll look at how we fare with other countries in the US market in terms of share of imports. You'll notice, at the very top, that Canada has the largest share of imports into the US, although the share has been going down. Equally, you'll notice that China is moving up very dramatically. It has passed Japan and Mexico more recently. You'll notice a line labelled "Canada ex energy." If we take energy out of the equation—in other words, our exports of natural gas and oil and electricity and the like—China has already passed us in market share in the US. We still have bragging rights in terms of the major supplier to the US simply because of our energy abundance, but at the end of the day, the shares in the non-energy component, which Ontario is heavily influenced by, have changed very dramatically. In my view, that is going to continue.

On the right-hand side, just looking at exports, you can see exactly what's happening. Energy exports have been rising very rapidly. Take a look at autos and parts, which are nearly half of what we export in this province. They have been going nowhere fast since the late 1990s. My strong suspicion is that that line will continue to be flat to down.

Looking at the energy situation in terms of its influence on doing business in Ontario, it's a very diffi-

cult thing, of course, to try to predict where we are going with the natural gas and oil prices over the next little while. We do know that the US is becoming more dependent on natural gas, and in my view that's going to keep a floor under natural gas prices in the \$9 to \$10 for an MCF range, below the peak that we've seen recently, but still very high—double what we had a year ago. On the oil side of the equation, whether it's going to be \$60 or \$55 or \$70, it's very profitable for investment in western Canada and very expensive energy relative to what we've seen. Electricity I can throw into the equation as well, where we have effectively lost a competitive advantage that a long time ago we used to enjoy historically, and our costs are relatively high. So the overall cost structure in Canada is changing very dramatically at a time when we're finding international competition changing pretty substantially.

The motor vehicle industry is truly a global one, and here I've shown production and sales on a global basis. On the left-hand side the bars represent 2005 production. For a couple of countries I don't have 2005; I've got 2004 here. But the story is fairly obvious. You'll notice that China now produces more motor vehicles than Canada. And if you look at the numbers on the left-hand side of the equation, over the last five years Chinese production has gone from a very low level up 145%. Over the same period, Canada's production has actually dropped. In the US it has been going down as well. The name of the game is a very expanded production capability in relatively low-cost areas.

Look on the other side of the equation: sales. A similar type of pattern, in a sense. The strongest growing markets in the world are India and China—in fact, the growth of the Chinese market from virtually nothing to its current state is nothing short of remarkable in the last few years—whereas western Europe's market has actually been stagnant. So has the US market. Canada's market has grown a little bit, but not a lot. You have to ask yourself, when GM and Ford and Daimler-Chrysler and a variety of other companies are making decisions, are they going to put production focus in areas where production costs are low and demand is growing very rapidly, or are they going to put new production where production costs are high and growth is not occurring at all? I think the answer is that there's going to be a natural focus towards the low-production-cost/high-growth markets into the future. So that industry is going to be, in my view, in the vortex of change over the next five years, not adding a whole lot of jobs to this particular province, at least in the standard types of jobs we look at.

No economist who works for a bank could resist talking about interest rates and the dollar. We believe that the Bank of Canada will be moving interest rates up a little bit, but that's not going to turn off the economy. We think maybe another half percentage point or so, but historically, rates are relatively low. The key issue is where the Canadian dollar is going. If you think back on what I've said, with very strong growth in Asia, very strong demand for commodity markets, we believe

energy prices are going to remain high and commodity prices are going to remain high as well, which will underpin investment into Canada in that segment, which inevitably, in my view, will create demand for the Canadian dollar and the currency will be hitting the 90-cent threshold some time in the next few months. Moreover, as we go beyond that, the tendency for the US dollar to weaken because of its big balance-of-payments issues will tend to keep our currency there.

So new competitive realities. Two issues—higher costs from resource inputs coming into Ontario, and higher currency, which affects us more because we can't offset it with the type of production that we have—inevitably put Ontario into a slower growth profile.

What does that mean for policy? Well, I go back to some of the things that Roger has said: We are under-investing in our industries; we are overconsuming. The policy recommendations that we are making here are fairly clear: We should be investing in infrastructure, which is both educational infrastructure and our transportation and technology infrastructure, to enable us to compete in those areas. We will never be the lowest-taxed jurisdiction in the world. We will never have the lowest labour costs in the world—nor do we want to. What we can compete in is industries that are fast on their feet that can use a world-class transportation and communication infrastructure.

One of the particular points I would make is in the area of apprenticeship programs. As I've travelled across the country—and I've been in six provinces since the beginning of the year already—the point that comes clear almost everywhere I go, west or east, is that we are having a severe shortage of not so much the astrophysicists and the PhDs and the high-end research, but of technicians and plumbers and pipefitters and bricklayers. In fact, the competition is becoming intense. We have to focus more educational dollars on individuals who are actually producing to meet the requirements of the new infrastructure.

1340

In terms of taxes, I don't think there's a whole lot of room to manoeuvre them down in general. I think we can reform the tax system to help the competitiveness of our province, but I think we have to spend a whole lot more on our infrastructure in general.

The final point I would make is that we have to focus on our deficit realities. The type of investments that I'm talking about are needed, but at the end of the day, most provinces now have a strategic advantage relative to Ontario in that their fiscal houses are in order. We are not there yet, and one of the ways we can get there is by being very aggressive with the federal government in rebalancing fiscal federalism, which, contrary to the previous speaker, I believe is very heavily penalizing this province in its need to reinvest and reinvigorate its economy. Thank you.

The Chair: Thank you all for your presentations. We'll now move to 10 minutes of questioning through two different rounds, and we'll begin with the official opposition.

Mr. Barrett: We have 10 minutes, for all three parties?

The Chair: You have 10 now and 10 after one rotation.

Mr. Barrett: Thank you, gentlemen, for presenting so much information. Mr. Martin, just looking at your document—this is your document here? I just want to make sure.

Mr. Martin: Yes.

Mr. Barrett: On page 44 or 45, you go through a number of suggestions for reducing or eliminating taxes: for example, on capital investment, the issue of companies that have to pay PST on plant equipment and construction equipment; considering eliminating the corporate income tax; and also lowering individuals' marginal tax rate. How would that compare to Massachusetts, for example, or maybe our closer neighbouring states like Ohio, Michigan or New York? I know you gave a bit of a detailed comparison with Massachusetts and some other—

Mr. Martin: Right. US corporate taxes are not all that much lower than ours, but we are higher than theirs. One of the things that makes us higher, for instance, is charging provincial sales tax on capital equipment. We've figured out ways to penalize companies for doing exactly what we want them to do.

Mr. Barrett: Before, we had the manufacturers' tax.

Mr. Martin: Yes, and switching to the GST was great. Not harmonizing the provincial tax structure with the GST was a bad idea for Ontario. I'm sure there's lots of politics behind that, but that perpetuated the notion of taxing the input to the business process.

It just strikes me that we haven't figured it out the way clever economies have, and, in this case, Sweden is a clever economy from a tax standpoint.

The Chair: I might say that the questions can be put to one of the gentlemen, but it is for the panel. If all of you care to answer any particular question, that can occur, too. So would any of the other gentlemen care to comment at all?

Mr. Mackenzie: I'll jump in. One of the things that always fascinates me about international comparisons is how easy it is to cherry-pick, to pick out one thing that you like amongst a bunch of other things that you may not like. I think it's worth noting one thing that really jumps out at you when you look at the slide that was put up there. It wasn't just Sweden, but there were a number of countries that would be considered to be leftist, to have leftist governments or to have a much larger public sector than we have in Canada, which show up very high on international competitiveness rankings like, for example, the World Economic Forum's competitiveness ranking, on which a number of the Scandinavian countries ranked very high. Those countries have extremely comprehensive social insurance systems, health insurance systems, income security systems and very generous systems for funding post-secondary education. So one of my rhetorical questions—I hope it's not rhetorical, but I guess it might be—would be, if we're running around

cutting taxes on everybody, who's going to pay the taxes that are going to generate the investments that we need to make in infrastructure and public education? I find myself in the rather odd position—as somebody who used to be accused, when I was much younger, of paying for public services with magic money—of listening to people from the business community talking about how we can pay for more public services with less taxes.

The Chair: Thank you. Would you care to make a comment, Mr. Jestin?

Mr. Jestin: Yes. I think one of Roger's points is that there are ways to reform the tax structure in Ontario that would be more conducive for investment, whether it's looking at capital taxes or accelerated depreciation and the like. We don't have a lot of room right now to lower taxes; it's simply not in the cards. But at the end of the day we do have a system that we can reform.

I think a lot of the problems that we have in Ontario with respect to putting investment into place may well have to do with jurisdictional issues and the bureaucratic ooze that tends to envelop projects when it happens that they cross multi-jurisdictional boundaries. In fact, whether you're looking at the Union Station project or a variety of other ones, the amount of complexity that we build into the system—which has actually been fostered by a lot of the fiscal arrangements we have with the federal government, because of the complexity that has been built into those—has tended to frustrate problems, I think, to streamline our economy. So taxes I think are a big issue that we can help, that may make us more competitive with Massachusetts. But at the same time, making our regulatory environment as streamlined as possible also will give us a competitive advantage.

Mr. Martin: I would just make a comment. I'm not cherry-picking; I have been quoted on the record as saying our tax system is so dumb that I would swap Sweden's, *holus-bolus*, for ours—not cherry-picking.

Mr. Barrett: Just briefly, Mr. Mackenzie, you made mention of the reduction in social assistance in Ontario. I think it was cut back by 22%. I'm not sure where it is in Sweden. I know they've reduced much of their social programs as well. Are you advocating that this government bring social assistance back up to where it was before that 22% cut?

Mr. Mackenzie: No, I'm not; not because I think that rates shouldn't go up by 22%, but because I think we actually need a pretty thorough rethinking of our whole income security system, not just in Ontario but in Canada. There are two significant events that have taken place in the income security environment in the last 15 years that really make it impractical and not terribly sensible simply to pump a whole bunch more money into the old social assistance system.

One of them is that we no longer have a federal government program. The Canada assistance plan was eliminated in 1995, and in fact was one of the things that paved the way for the huge cuts in social assistance that took place in 1995. That program's not coming back any time soon. We have a new kid on the block in the child

tax benefit, which wasn't there in 1993. That's a completely different kettle of fish as well.

I think really importantly, the combination of changes in the structure of the labour market and cuts in unemployment insurance benefits have really meant that the unemployment insurance system, which used to do a lot of the heavy lifting in the income security system in Canada for working-age adults, doesn't do it now at all. To give you a couple of examples, only 26% of the unemployed in Ontario qualify for unemployment insurance benefits. The rest of them, if they have to look anywhere for any income at all, they have to look to the social assistance system. In major urban areas it's even worse. In Toronto, for example, 22% of the unemployed qualify for unemployment insurance benefits. There is something seriously wrong with the system. It has significant economic and social implications as well, because one of the things that's happening in our major urban areas is that unemployment is becoming more and more a feature of immigrant communities. It's driving poverty deeper and deeper in immigrant communities and creating all kinds of other social problems that I think we really need to address.

1350

The Chair: Thank you. We need to move along here, and the 10 minutes has expired. We'll go to Mr. Prue of the NDP.

Mr. Prue: Okay, I have a number of questions. First of all, to start with this little book, *Rebalancing Priorities for Prosperity*, page 44 calls for the elimination or reduction of taxes levied on capital investments. This, I understand, would cost—I've seen figures before—the Ontario government about \$1 billion. Would that be about right?

Mr. Martin: It's a perfectly fine number. It would depend on how you did it.

Mr. Prue: Now, I can understand with all the pressures on the manufacturing industry that this may help their bottom line and help keep jobs. But two of the biggest corporations, the banks and the insurance companies, would make a bundle off this. How would this help our prosperity, other than allowing the big banks and the big insurance companies to make scads more money than they make now?

Mr. Martin: I guess the question for me is: What are you trying to accomplish by having the highest taxes on corporate investment in the world? If you're defending that system, what are you trying to accomplish? I think what you're trying to accomplish is making sure they create the fewest jobs possible with the lowest salaries possible, and I think that's not the best way to go about it. I'd rather get the tax revenues from individuals who own stock in that corporation or individuals who have high-paying jobs in that corporation than try to discourage the corporation from creating those jobs and creating those salaries in the first place.

Mr. Jestin: I think you're raising an important point, because I mentioned earlier that there's not a whole lot of leeway for lower taxes and, in effect, what we're

suggesting is more a rebalancing or a reform of the system so that the taxes are on things that don't discourage overall investment. It's very similar to the question that was answered earlier in terms of social assistance, where we have extraordinarily high marginal rates for people who are trying to get back into the labour force and are poor. It's a huge disincentive. Restructuring the system, rather than simply taking taxes down for a particular group, has a lot of merit, and we should be looking very closely at it.

Mr. Prue: Do you have any comment on that? We might as well give all equal time.

Mr. Mackenzie: The problem is that the way we tax income from capital is like walking along an ice-covered rail: There are slippery slopes in every conceivable direction. These things are linked up with each other so inextricably that you end up—I'll give you an example: Mr. Harper's proposal to exempt capital gains from taxation if they're reinvested. That's just a hole in the bottom of the capital gains taxation system. Superficially, it sounds pretty interesting, if you think that lower capital gains taxation will produce higher investment, but the inevitable result is that our ability to raise revenue from income from capital is going to be significantly reduced. The problem with Mr. Martin's point about taxing income in the hands of the shareholders is that in an economy like ours, which is so heavily foreign-owned, that, in effect, amounts to saying that we're not going to tax a whole lot of the income that's generated in this country. I'm not sure we're ready to do that. I'm not sure we're ready to say that we're not going to tax income from capital.

Mr. Prue: Okay, if I can go on to the next—how much time have I got left?

The Chair: About five minutes.

Mr. Prue: About half. Okay. Hopefully, this is a short one. In the Scotiabank, you talk about the global currency realignment, and I note that the Canadian dollar is doing relatively well against the US currency. The Mexican peso has fallen, and I see somewhere else that it's likely to go back up, slightly. But the real problem that I see is the Chinese yuan, because they refuse to revalue it. That currency is so undervalued; that is amazing. Yet there doesn't seem to be any international pressure to revalue that money, and that's what's causing a lot of the problem.

Mr. Jestin: Actually, there's a huge amount of pressure on China to revalue, and I suspect over time you will see some movement up. But even if the yuan were to rise by 20% or so, that doesn't mean that production of consumer electronics is coming back to North America; it may well go to Vietnam. In fact, that's one of the issues that China has right now: the intense competition from low-cost labour in Vietnam.

The reality is that we might wish the currency was at a different level, but in a high-resource-price environment where the US has a massive, chronic and undeniably intractable deficit at this particular juncture, our currency is probably going up. The question, then, is: What do we

do about it? We could just say that all our problems could be solved by changing the Chinese exchange rate, but that doesn't do anything for us here. We have to figure out how we become competitive and sustain our competitiveness; what industries can do to create jobs in an environment where the exchange rate and where input costs for energy and some metals and the like are substantially different from what we had three to four years ago.

Mr. Prue: Any other comments? Okay. Then I'll go on to the next one, which was about the power price impact on competitiveness. It's quite clear that Ontario is no longer competitive, according to this chart on page 4 of the Scotiabank material. Whereas at one time we were competitive, we now have double the price, it appears, of Hydro Québec, and we pay more than Montreal, Vancouver and Winnipeg, and in fact most of the United States with the exception, here, of San Francisco and New York, both of which had problems, especially California, with Enron.

Should we, as a province, be trying to get back to low-priced power? We've had a lot of people come before us and talk about clean or cleaner coal because we can't lose our economic competitiveness. Now we've got the environmental argument saying no. But should we be looking at low-priced power? Is it essential to our economy, or should we just simply move on?

You wrote it, so you go first.

Mr. Jestin: I imagine you can get a lot of different answers on that particular one. There are two issues that I think are of concern to businesses that I talked to across the province. One, obviously, is the ratcheting up in price because we've gone to a market environment and we have big legacy costs that are feeding through to the bottom line in terms of cost, and there are some technology breakthroughs, hopefully, that we can take advantage of. But we are not going to have electrical power any time soon as a competitive advantage. It's simply not going to happen.

The other issue that worries consumers is that, three to four years from now, we may not have a dependable source of power. Next to the issue of labour training and skills training, in infrastructure, getting across the border and ensuring the dependability of our hydro sources, of our electricity sources is probably the top priority in this province beyond anything else. It's a political issue as to whether you go with clean coal or not; it's an environmental issue. But we have to ensure that the mechanisms, the contracts and the production is put in place so that we actually have the power available for our industry three years from now.

Mr. Prue: Any other comments?

The Chair: You have about a minute left.

Mr. Mackenzie: I think, on the electricity front, we need to be a whole lot bolder in the way we approach encouraging conservation and improving efficiency. If you compare the incredibly weak, virtually non-existent strategy for electrical energy conservation in particular in Ontario with some of the very dramatic moves that, for

example, the state of California made in the wake of its crisis—I'm old enough to remember in the 1950s when Ontario Hydro switched from 25 cycle to 60 cycle. Because it dramatically improved the efficiency of transmission and production of electricity, Ontario Hydro replaced every electric motor in the province. I can remember the Ontario Hydro technician coming out and replacing the motor on our fridge. We don't have that kind of boldness today. I ask myself the question often, if we hadn't built a subway in Toronto in the 1950s, would we be thinking about building one today? I don't think so. I think we've really lost the ability to grasp these big problems and address them. The problem is that some of these big problems are just going to overwhelm us.

1400

The Chair: Thank you, Mr. Martin, briefly.

Mr. Martin: Just very quickly, the one thing I would not do is subsidize and keep prices of power down. It works exactly against the conservation principle and it's like keeping the yuan down. It's wasting revenues by selling something for less than its real cost.

The Chair: Thank you. Now we'll move to the government. Mr. McNeely had indicated—

Mr. Phil McNeely (Ottawa—Orléans): I think Mr. Arthurs wants to take the questions.

The Chair: It looks like Ms. Marsales.

Ms. Marsales: Charged with the responsibility to make recommendations on fiscal policy, I find myself, when listening to your three presentations, reminded of the old saying about statistics.

Having said that, Mr. Martin, if I might summarize what you've said—do I understand?—we have to create the wealth in order to share it. My biggest concern right now is our loss of competitiveness in the province. I understand, Mr. Mackenzie, you're saying we're not doing enough to address poverty right now, but is that not speaking to that very slippery rail you're talking about? May I have a comment with respect to that? Adding to that, we're looking at a higher Canadian dollar, which is eroding our manufacturing base. We heard over the last two weeks of many job losses and so on. We have to make our companies competitive; we have to create the jobs to create the wealth to handle our fiscal responsibility with poverty. I'd like to hear what each of you have to say in that regard.

Mr. Martin: I'd just briefly say I think you're absolutely right that the quality of a society is judged on the basis of how it handles and takes care of the poorest and most disadvantaged of its members, and that is a function of the overall wealth of the economy. If we can't make sure that our economy keeps moving forward and generating that kind of wealth, we will be in a worse position to take care of less fortunate members of it. That's my concern. I don't like falling from tied with Massachusetts to having them be 50% ahead of us, because that provides more options for them to take care of theirs.

Mr. Mackenzie: I don't disagree fundamentally with the chart that Mr. Martin put up that had this continuum between investment and consumption. I think, though,

that there are feedbacks back and forth between what he describes as consumption expenditures and what he describes as investments. I would suggest, for example, that there is an enlightened self-interest, if I can put it that way, in not allowing poverty to grow and to deepen. Deep and growing pockets of poverty in major urban areas have an impact on the competitive position of a community like Toronto or any other community that has significant pockets of poverty.

One of the points I raised was the problem we have with investments in public infrastructure. Right now we're engaged in a pretense that we can rebuild public infrastructure without paying anything for it. I just don't think that's a reasonable way to approach it. If you look at the economics of the schemes that are being discussed for refinancing public infrastructure, they all have a much higher embedded cost of capital than it would cost the government to borrow the money directly itself, and therefore it's obvious, it seems to me, that for the given number of dollars that we're putting into long-term infrastructure investment, we're going to be able to do less of it doing it through these games than we would if we did it directly.

The Chair: Mr. Jestin, do you have a comment at all?

Mr. Jestin: I could talk for two hours on that as well.

The Chair: You have more like a minute and a half.

Mr. Jestin: I know. I think the issue that you have to put the investment in place before you consume is a no-brainer; it comes without saying. As I indicated earlier, I think there are a lot of things that are fairly low-cost that we can do in terms of regulatory reform and rebalancing our federal-provincial finances to give the money to the jurisdictions that actually need the funds to put the infrastructure in place.

One of the things that was just said that worries me in a way is that all we have to do is borrow the money through the government and put the infrastructure in place and we will solve our problems. We have learned very painfully over the last decade that not getting our fiscal house in order—cutting taxes, for example, before we actually balance the books—can lead to some very serious long-term problems. So I would put staying the course and eliminating the deficit as absolutely number 1; number 2, revitalizing our competitive infrastructure; and number 3—and it can happen at the same time as number 2—is of course reforming our tax structure so that we take away the disincentives to investment in this province and really provide some incentive for a broad range of groups, whether they're business or actually individuals who want skills training, to actually make that investment.

The Chair: Thank you. We have about three minutes left.

Ms. Marsales: I'm sharing my time with my colleague Carol.

The Chair: Ms. Mitchell, three minutes.

Mrs. Mitchell: Thank you, gentlemen. I always look forward to this day when you come forward to make the presentations on the forecasts.

I represent many rural communities in southwestern Ontario, so I would be very interested in you giving me your opinion on what role you see for our rural communities and how you see agriculture in helping with Ontario's competitiveness, and the total part of moving Ontario forward with the rural communities, and agriculture being the second-greatest economic driver, where you see it going.

Mr. Martin: I'm quite familiar with rural communities, having lived the first 18 years of my life in Wallenstein, Ontario—population 50.

Mrs. Mitchell: I know where that is.

Mr. Martin: You should be happy to know that on that chart that shows Ontario as 15th out of 16 jurisdictions overall in prosperity, if you just look at rural Ontario versus rural other jurisdictions, we're number two. So actually, our rural areas do remarkably well, second only to Indiana. In fact, they punch above their weight in the prosperity equation. It's our cities that punch dramatically below their weight.

Mrs. Mitchell: Thank you very much. I'm standing a little taller today.

Mr. Mackenzie: Does that lead to an economic prescription? I don't think so. That's the problem. Because it doesn't lead to the economic prescription that we should all move to rural Ontario to be more prosperous.

Mr. Martin: Are you somehow suggesting that I said that? Come on.

Mrs. Mitchell: It wouldn't be rural any longer, then.

Mr. Mackenzie: The reality is that in terms of the overall economic performance, economic growth, of the province, rural Ontario makes its contribution to Ontario's prosperity in two ways. One is, it gets more and more efficient at doing what it does, and by becoming more and more efficient at what it does, it reduces its need for people. Those people migrate to urban areas and contribute to the overall urbanization of the province.

One of the things that we're sometimes not as conscious of as we should be is that the process of urbanization in Ontario and in Canada isn't over. Both Ontario and Canada are becoming more urban every census. So, in a sense, rural Canada is almost the author of its own destruction. It becomes more efficient at doing what it does. By becoming more efficient at doing what it does, it finds itself with more people than it needs to do the work that is available there and people move to the cities.

1410

The Chair: Now we'll move into the second round and Ms. Munro.

Mrs. Julia Munro (York North): Thank you very much.

Mrs. Mitchell: I didn't get—

The Chair: I'm trying to get some control of this again in this new experiment. Ms. Munro?

Mrs. Munro: I'd like to ask a question, Mr. Martin, on the presentation that you provided for us, on slide number 5, on the question of investment leading to prosperity, that consumption is the benefit of investment, and when you look at the further slide that deals with a

comparison between Massachusetts and Ontario. When I looked at the slide on page 5, where it talks about the examples of consumption from government, business and individuals, I wondered if you could give us a sense, given that both Massachusetts and Ontario would have much of the same culture—and by that I mean the culture of consumerism. So when I look at the slide on page 5, I'm struck by the idea that somehow there has been some kind of shift in thinking and planning in a state like Massachusetts, obviously, that hasn't taken place here. When I look at things like early retirement, which we hear of constantly as a goal of many people and certainly something that's celebrated—there are those who have reduced it from 65 to over 50 and things like that—I wonder if you could comment on what you see as drivers in Massachusetts that appear not to be in Ontario.

Mr. Martin: It's a very good question and there isn't an easy answer to it. I'll quickly talk about some of the things that I think are different culturally. One is with respect to education. The investment that Massachusetts citizens and the government make in higher education is dramatically—four times—higher. There is more of a sense that families save for education and you just make a big investment in education. That would be one thing.

The other thing I would say is that if you look at the Massachusetts economy, it is an economy that is focused on fewer industries, and those are all highly successful, competitive industries. In education, they're number one in the world. In medical care, they're number one in the world. They're number one in medical devices. They're number one in a whole bunch of parts of the software business. They're number one in asset management. So it's an economy that is a little more attuned to being in fewer industries, and in those industries they are setting as their standard to be the best in the world. That I think causes higher levels of investment in those industries by industry itself.

Those would be a couple of things that I would say are different between Massachusetts and Ontario.

Mrs. Munro: I appreciate that, because I think back to one of your first reports where you talked about—this is my word, not yours—the psyche of people in this province, who haven't been made to think of themselves in that way, in a competitive sense. Obviously, this would hark back to that original contrast that you made, and here we see the fruits of it.

Mr. Martin: Yes. If I could just say on that, I do think it is truly unfortunate that we have protected our infant industries for 111 years. There aren't many species that I know of that stay infant for 111 years. I think that caused many of our industries in Ontario, more the manufacturing and services than natural resources, which weren't protected—we had protection in these industries and it caused those industries I think to look inward rather than imagining looking outward to a greater extent. I think that then feeds on the culture.

Mrs. Munro: Thank you very much.

Mr. Mackenzie: Can I just make an observation on that point? I can't pretend to have a full understanding of

all of the dynamics that are going on here, but I can't resist pointing out that—it really struck me when the chart was put up with 1989 as the last year when we were on a par with corresponding jurisdictions in the United States. That was the last year before free trade. Free trade between Canada and the United States was supposed to produce a lot of the things that Mr. Martin has been talking about: It was supposed to produce greater specialization. It was supposed to produce a greater concentration on high-value-added industries. It was supposed to encourage companies to give Canadian plants world product mandates to enable them to become more efficient.

There's something structural about the way our economy works that—don't get me wrong; I'm not suggesting that it's either reasonable or feasible to roll the clock back to 1989. But I think it speaks to the need to address some fairly fundamental structural questions in the way our economy works. One of the things that made the 1990s such a lost decade for this province is that we began the decade with an exchange rate policy at the national level, at the same time as free trade was opening up, that was extremely punitive to the competitive position of our manufacturing industries, precisely at a time when they were facing structural pressures.

The Chair: Thank you. Mr. Jestin has indicated that he wants to speak as well.

Mr. Jestin: Having worked at the Bank of Canada, I'd say we did not have an exchange rate policy; we had an interest rate move based on other issues.

But going back to just a couple of points that I think are worth mentioning, when we compare Massachusetts and Ontario, I think what Roger is saying—and I may be putting words in your mouth—is that the industries in Massachusetts are not only getting the benefit of investment, but they are benchmarking themselves against the rest of the world, when you say they're number one, in a variety of industries. That is their purview. I think when we start talking about the free trade agreement or the Canada-US dollar, we're losing sight of the real issue, and that is, industries in Canada are no longer competing just against Germany and the US. This is a global market.

Getting to your rural question, I was up at a Muskoka Futures symposium last week, and I was amazed to see a number of industries that are competing globally—manufacturers that are competing globally—and their biggest complaint is local laws with respect to expansion of their plants, which is forcing them to go elsewhere.

Last night at a Chinese New Year's celebration, I was addressing a company that is in a brutally competitive global environment and has actually been adding jobs. Why? Because they see their market as global. They try and figure out what they have to do. They get out of the things they're not competitive in and they get into the things that have a value-added to bring forward. Whether you're in rural Ontario or whether you're in the big urban areas, that is the issue. It is not the Canadian dollar; it is not free trade. It is looking at the world as your market and adjusting accordingly.

The Chair: Mr. Hudak.

Mr. Hudak: How am I doing on time, Chair?

The Chair: Two minutes.

Mr. Hudak: I have three questions that I'll ask Mr. Martin to respond to specifically, and then if the other gentlemen want to respond to those three. I'll just ask all three in the interests of time.

Mr. Martin's report talks about our cluster effectiveness in business being weaker than the peer states. While our mix is good, our effectiveness is weaker. What's your advice to government? We do things like invest in the auto sector, that you recognize as one of the strengths of clusters. Is that the approach you'd advocate? How do we strengthen our effectiveness?

On the educational side, Mr. Martin's report talks a lot about business education and I think postgraduate work, and Mr. Jestin had talked a bit about the trades. Is it both, or is one preferable to the other?

Third, you talk about disincentives to investment and the prescription for capital tax elimination acceleration on the business side. What advice do you have for the committee on encouraging personal investment?

Mr. Martin: Okay. Just quickly, on the cluster effectiveness front, it goes to the previous comments, which is that I think the thing that's most important on our clusters being more effective is setting their sights higher, setting their sights on being globally competitive. It would be absolutely helpful to them to not have as much of a disincentive and a punishment for investment, but a lot of it has to do with attitudes, and we just have to have attitudes and better managers that are going to take on the world. I wish it weren't so simplistic sounding, but after having studied it for as long as I have, I think there are no real barriers to their doing it, other than themselves.

1420

On the educational side, it's definitely a bit of both. I think we're going to have to wake up and smell the coffee to a certain extent on the skilled trades. There's a reason why there's an imbalance there, and it has to do with not making it attractive enough. We're just going to have to recognize that we're going to have to price up those job categories to attract more folks into that; that is one side, and the other side is that in a modern knowledge-based economy, having the deficit we have on post-secondary education is a bad idea and not good for us.

On disincentives to personal investment—this is back to the cherry-picking. We can't have it all. I'm less worried about that, Mr. Hudak, than I am about corporate investing. Would I like to see people invest more? Absolutely. If we're going to have the kind of social infrastructure we have, we're going to have to have taxes at a certain level and that is going to create a disincentive to a certain amount of investment. It is not my greatest worry. My greatest worry actually is business investment. So I'd make a little trade-off there.

The Chair: Now I'm going to have to move along. We're getting way behind here. Mr. Prue, NDP.

Mr. Prue: I'd like to ask a question first from this book, *Rebalancing Priorities for Prosperity*. On pages 25 and 26 there are two charts. Page 25 shows that our GDP

is among the world's highest; then on page 26 we're the lowest. I would assume that's because you have chosen all of the richest US states. When I look at the actual amounts of money involved—\$45,000 as an average in the United States, and then I don't see anybody much below \$45,000 on the next chart. You've left out all the Louisianas and the Alabamas and all of those. Can you tell me why? Because you're trying to compare us to the richest parts of the United States, instead of that country.

Mr. Martin: No, in fact not. The criterion is states that are half as big as Ontario or bigger. It wouldn't be useful to compare us to Alaska, with 500,000 people, which is the richest US state, or Delaware, with 2.5 million, which is the second-richest US state. What we're trying to do is pick the large industrialized states, some of which are among America's richest and some of which are among America's poorest, like Florida and Indiana. So it's actually a fairly great mix from top to bottom. Of course, it doesn't include Louisiana, which is a small state in population, but it doesn't include Alaska either. That is the methodology.

Mr. Prue: That's the rationale behind it. I don't think you need it. I was just trying to figure that out.

Next I'd like to question Mr. Mackenzie about one of his six points—we haven't dealt with it too much: "The dysfunctional provincial-local financial relationship is creating significant economic and social problems." We know the social problems. I think everybody around the committee knows that. What are the economic problems that that is causing, I assume, for the cities?

Mr. Mackenzie: Drive around any major city in Ontario and you find roads in pretty poor shape; you find public transit systems significantly strained; in parts of the province we have sewer and water infrastructure that's badly in need of renovation. I think the underinvestment on the infrastructure side has a real negative effect on the functioning of local economies. The engines of global competitiveness, if you want, are businesses that are located in major urban areas. If we underinvest in local infrastructure, I think we damage the economic foundations of our future prosperity.

Mr. Prue: Are there other comments, or are you in agreement?

Mr. Mackenzie: The other point I'd make is that on the social side it's kind of a double-whammy, because not only are our major urban areas suffering the consequences of our undersupport of the least advantaged in our society, but because of the provincial-municipal fiscal arrangements, they end up bearing an unreasonable share of the cost as well. It's completely ridiculous that we have a property tax base that's expected to support publicly supported housing and social assistance.

Mr. Prue: In my travels to the United States—I do go to that country from time to time—I can tell you that 10 or 15 or 20 years ago, going to some of the American cities was practically a nightmare. Infrastructure was terrible; there were holes in every road; there were boarded-up windows. If you go to some of the bigger American cities today, downtown they're pretty spiffy.

Chicago has come a long way, and even Cleveland—some of these are pretty nice. Is this what you are talking about, that we should be investing that way? Is that part of the economic drivers? I've listened to Richard Florida. He says it is. Is he right?

Mr. Martin: I think Richard Florida is right on, way more than he's wrong. He's right in that reinvestment in the inner cities in the US has been impressive, or at least in some of them like Chicago, Boston, Manhattan. I think what makes for a healthy city can become more of a driver of economic expansion.

Mr. Prue: You would think that's a good thing, that the province should be investing in the cities in order to drive that economic expansion, not letting them go.

Mr. Martin: Yes. Now fortunately, we've never let Toronto, for instance, go as badly as the big US cities, and we didn't have the same level of out-migration, but that doesn't mean we shouldn't invest in it.

Mr. Mackenzie: But I think we lost our right to be smug about 10 years ago.

Mr. Martin: I would agree.

The Chair: Mr. Jestin

Mr. Jestin: I think one of the issues—you mentioned the provincial-municipal. I think the infrastructure requirements of this province are such that it's simply not something that is contained within the province. The federal government has to be involved, and this goes back to our disagreement on the amount of money that's flowing out relative to the amount of money that's flowing in. You mentioned unemployment insurance. It's a perfect example of a program that, because of the way it has been restructured and rejigged over the years, is powerfully oriented away from this particular province. We have to stop putting in place policies that actually do that. It might have been okay when we were driving the economy and we were leading by a mile in terms of income, but now we have big restructuring issues here, and in order to do it we have to also have the federal government onside.

Mr. Mackenzie: On a point of personal privilege, I don't want my skepticism about the \$23-billion number to lead one to the conclusion that there are no problems in the federal-provincial fiscal relationship. I just wanted to point out that when you break that gap down, there are some components of the gap that clearly we should be doing something about. For example, the huge subsidy that Ontario provides to other provinces through the unemployment insurance system is completely unjustifiable. I've never understood why, as a matter of national public policy, we seem to think it's more of a problem to be unemployed in Nova Scotia than it is in Ontario. If you're unemployed, you're unemployed. You're just as unemployed regardless of where you are. The counter-argument that comes back is that it's easier to get a job in Ontario than it is in Nova Scotia. That's fine. That means more people in Ontario will get jobs. But the people who don't get jobs are just as unemployed whether they're here or outside Halifax.

Mr. Prue: How much time? I've got one minute?

The Chair: One minute.

Mr. Prue: In terms of the \$23-billion gap, just a last word from each one of you. Much has been said that part of the reason is because this is the richest province. Some have said that the gap is much smaller. Have you any comments on whether this is a real \$23-billion gap? I've heard figures of \$16 billion; I've heard figures of \$12 billion; I've heard that it's not at all; and I've heard that it's because we're so rich that it's there. I've got three experts: Tell me what you think.

1430

Mr. Martin: There's some truth to that, and we did a working paper on it, which we can happily get all the figures on for you. It is more like \$16 billion or \$17 billion than \$23 billion, when you make the proper adjustments, and a big chunk of that is indeed the fact that we're richer and therefore pay higher levels of personal income tax. But it doesn't work; it's structured badly, unemployment insurance being one particularly egregiously badly structured approach. And it is in the camp of consuming current prosperity. Fiscal federalism is not an investment in generating future prosperity, which it should be, investing in building future prosperity in the have-not provinces. It doesn't, it does a crummy job and it needs overhauling, even if it isn't \$23 billion and it's more like—

The Chair: Thank you. We'll move to the government and Mr. Wilkinson.

Mr. Mackenzie: I'll try to remember what you asked and I'll figure out some way of getting it in.

Mr. Wilkinson: I'll try to help you out on the time question here. It is wonderful to have the Three Wise Men, I call you, come every year. It helps us a great deal to talk about the larger issues, because as we do consultations, we're talking about specific groups. So it's wonderful to look at things at the 30,000-foot level or even higher. I just want to give you a synthesis of what I'm hearing and see if we're on the same page, because we have to give the minister some advice.

Basically, what you've said is, we've got ourselves in a pickle because previously we were cutting taxes while we were still in deficit. So we've ended up with a surplus of deficits—you said infrastructure, fiscal, social and energy—which are all challenges we have. And now we're walking into a perfect storm because we're in the only G8 country that's a petrol country, so a big chunk of the economy is going to grow out in Alberta in our energy, and we're the manufacturing guys, so we're going to get higher energy costs and we're going to get our dollar going up. Now, we've got the advantage, I suppose, of having a higher dollar, which means, in a wrenching way, we're going to end up having to have better productivity if we're going to survive, which is what you get from a higher dollar. You're also saying that we need to have growth to pay for social justice, not the other way around. I think that's a consensus on your advice. Then finally, you're saying that we have this structural fiscal imbalance between all three levels of government, because no matter what the deficit is, my

taxes are paying down the national debt whilst this province, which has its unique challenges in the storm that we're in, is turning around trying to figure out how to deal with these deficits without running a deficit. That's why the municipalities have come to us, to say, "You've downloaded your soft costs to us, as the feds downloaded their responsibilities."

So would your advice be to us that, really, we should have this key priority to get the imbalance at all three levels of government, something that is—if we don't do this, you're telling us that the future is very, very wrenching for this province. Do we have an agreement that that is something that we need to recommend to the Minister of Finance and to the Premier, that we may even have a historic opportunity, that we have got to—and here, we're struggling with OW whilst we're paying into a huge EI surplus to help people who are unemployed, which pays 25% per cent of the people who are unemployed whilst we pay for OW, and we can't help those people get themselves retrained and back to work, just as an example.

Mr. Jestin: The bottom line or the final paragraph on the paper I brought to you addresses exactly that, and that is getting all three levels of government sitting down to streamline the issue.

If you look at what's been happening over the last five years, the federal government has really ramped up spending dramatically, and Ontario, because of the particular way programs are structured, ends up paying a fairly large share of that. I think at the end of the day, it is in the interests of all provinces to sit down with the federal government, streamline this issue and start looking at the purpose of inter-provincial transfers, because what we have now are the bilateral deals that layer one more level and then another level on top of the basic system until we've lost sight entirely of what the system is there to do. Streamlining would not only have enormous efficiency gains, but it would highlight what the programs were there for in the first place. I would take employment insurance out of the political orbit, set it up on its own and strip out those things that lead to inter-provincial grants or transfers and judge them on their own merits. Make it an insurance program.

Mr. Martin: Mr. Wilkinson, I think your analysis is sound. I think you've got a good analysis, and I would say that one of my worries is the Venezuela syndrome. What happened to them is that they found oil, were sitting on lots of oil in the 1970s, had their economy become a high-currency economy because they were exporting lots of oil, and it killed the rest of the economy. Now they don't have any oil and they're desperately poor and have no hope now. We have a great economy in comparison to theirs, but it's a real challenge that we're facing. I think you're right to focus on that challenge and I think having, in the midst of that challenge, a fiscal imbalance situation that is structured very badly for Ontario, and is not good for the rest of the country's future either, is a good thing to go at hammer and tongs.

Mr. Mackenzie: One of the things that I think we need to be careful of is not to slip into thinking that

there's kind of one bullet that's going to address all of these issues; sometimes the hydraulics are pretty complicated. I'll give you an example. Mr. Jestin just raised the increase in federal spending. Most of that increase in federal spending is in the area of transfer payments to the provinces, largely for health, but for other things as well. Sometimes it's a question of, be careful with what you wish for because you might get it. Ontario was a major part of the lobby for increased federal transfers for health. As the transfers for health go up, they're distributed on a per capita basis. They're paid for out of federal general revenue. When the federal government raises money from Ontario to pay for a per capita transfer, the gap goes up. That's just part of the hydraulics, part of the way it works.

On the other hand, the problem is—and this is where I think governments, provincial governments in particular, get some very tough decisions to make—if the resolution to this fiscal gap question is going to be that the federal government reduces its revenue take, as it appears it's headed towards doing, at least under the government that's about to take office, that means that there isn't going to be this money coming in over the transom to go out to the provinces to redress the fiscal imbalance. The fiscal imbalance is going to be redressed by reducing the revenue take, and if provinces aren't prepared to occupy the fiscal room that's created by the federal government pulling back, then we're in the worst of both worlds.

Fundamentally, I think one of the things that we would agree with here is—we might disagree with questions of emphasis about where we get there, but one of the measures of our success in dealing with the problems we're dealing with now is to rebuild our fiscal capacity in this province. I think that people at this end of the table would probably agree that we do not have the revenue base available to us at the moment to meet the needs that we currently have. We don't have the revenue base that we need to make the infrastructure investments that we make. We're not investing enough in education, and we're not providing enough for the least-advantaged. But there isn't a single answer to those things. Part of that has to do with the federal-provincial relationship, but part of it is Ontario's own problem of how to deal with its own revenue problems.

The Chair: Thank you. We have about two minutes left.

Mr. Wilkinson: But then your advice, if you're following on my premise, is that there has to be the political courage at both the federal and the provincial—and the municipal—level to solve this problem. In other words, if the federal government says, "We're going to solve it by cutting taxes," and then the provincial government turns around and raises that capacity, that becomes a political issue, right? Or if we turn around and get a new deal with the municipalities to get these soft services that shouldn't be on hard property back up—we have to recognize that as a country we have the fiscal capacity. We're allocating resources to the wrong levels of government, as opposed to an exercise of just cutting

taxes. What we have to do is take the taxes we have and get those taxes where the service demand is. We've got health care. The municipalities have the infrastructure problems. Really, it takes, I would think, political courage at all three levels of government to come together to—

Mr. Mackenzie: You're starting to really scare me.

Mr. Wilkinson: It strikes me that that would be required.

The Chair: Thank you. We need to move on, Mr. Wilkinson.

Mr. Martin: Do I have time for a quick response?

The Chair: Yes, you can answer—quickly, please.

Mr. Martin: I would just say that it's only partially true. It is a revenue problem, but it's a revenue problem that's a function of the economy underperforming. So if we were to be back to where we were in 1989, relative to the US, we'd have about \$20 billion more to spend per year in Ontario. When we think of our then little deficit of \$2 billion, it would just be a surplus of \$18 billion instead. So we've destroyed an incredible amount of revenue capacity: \$72 billion for the country in total and at least \$20 billion in Ontario. That's the daunting thing. We have to rebuild the revenue capacity of this country that's based on being a more productive economy.

1440

Mr. Jestin: We have to avoid two other things as well. We have a problem avoiding dreaming up a new program to fix it and, secondly, reorienting an industrial priority or an industrial policy to focus in on one industry. We need laws and an environment that treats all industries the same. Then the industry, in a competitive environment, can figure out the winners and the losers.

The Chair: On behalf of the committee, I want to thank all of you gentlemen for being with us here today.

TORONTO COMMUNITY HOUSING CORP.

The Chair: I would ask the Toronto Community Housing Corp. to come forward, please. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Dr. Mitchell Kosny: My name is Mitchell Kosny. I'm chair of the Toronto Community Housing Corp. I certainly want to thank you for the opportunity of being here and speaking with you this afternoon. I'm joined on my left by a Toronto Community Housing tenant representative, Jaquie Waldren, and on my right, Keiko Nakamura, who is our chief operating officer.

We are also here on behalf of 164,000 people who live in our housing to ask the Ontario government to invest \$224 million to fix our homes. We own and manage over 2,000 buildings and houses. As I said, we have 164,000 residents who live in our communities. It's the second-largest housing company in North America.

All of our housing was built and funded by the federal and provincial governments. In 2001, a very large part of this portfolio was downloaded by the provincial govern-

ment of the day to city of Toronto ownership. These buildings are the oldest public housing in Canada. Most are close to 40 years old and some are 50-years-plus. They've been undermaintained for a very long time.

When Toronto Community Housing took responsibility for all these homes, our commitment was to quality housing. We do not think or believe that our tenants are second-class citizens. We don't believe that just because they receive a rent subsidy, they should have to sacrifice the basics—and I do mean basics: heat, water, ventilation, roofs that don't leak and elevators that they can count on.

Toronto Community Housing immediately squeezed an extra \$25 million from our operating costs and diverted it to capital repairs. That was a drop in the bucket. We borrowed money so we could spend another \$100 million on 19 communities that are in desperate need of refurbishment, but this spending really isn't coming close to solving the root problem.

Let me give you an example. At Yorkwoods Village, which is a 305-unit townhouse community in the Jane-Finch neighbourhood, 43-year-old furnaces break down regularly. They cost \$400,000 to replace, so we make do. We pay the price with high utility bills that keep going higher and costly repairs. We don't have \$2.5 million dollars, so we patch leaky roofs and then we patch them again, and we deal with water damage. We don't have \$850,000 to replace 43-year-old kitchen cupboards, bathroom fixtures and plumbing. We don't have \$200,000 to replace obsolete and inefficient fridges and stoves.

As chair of TCHC, what I've done over the last six months is actually visited every single community housing unit across this city. I know what we're talking about, and I can tell you that the story I just gave you about Yorkwoods Village is repeated community after community. Many of your colleagues, primarily in December, accepted our invitation to spend a night at Toronto's community housing and see first-hand what tenants face. Mr. Prue, a member of this committee, stayed in one of our communities at Jane and Finch. I spent an evening with Minister Gerretsen in Moss Park. I also spent another evening with Minister Smitherman at 200 Wellesley East in downtown Toronto. John Tory also stayed with us at Flemingdon Park. I think all of their experiences will confirm our own.

We've done our research. We've retained engineering firms to determine in great detail the short- and long-term investment needed to bring our buildings up to basic living standards—and I mean basic. The audit identified the need for an immediate capital investment of \$224 million, and \$53 million every year from now to 2014. I think you would agree with me that Toronto Community Housing can't keep going into debt. Frankly, we would be fools to take money away from our youth programs, from social investment in community economic development and our revitalization of Regent Park, Don Mount Court and our plans, hopefully, to reconnect Lawrence Heights and other communities with the surrounding neighbourhood.

For many years, the federal government and then the province saved money by underfunding these communities. Our tenants have paid the price. We are at or beyond the crisis point. We are calling on the provincial government to budget \$224 million this year to make up the shortfall that we inherited. We certainly invite you to work with us and the city of Toronto to ensure that the federal government continues and contributes their fair share of this shortfall. We know; we've seen the first-hand benefits. Reflecting back on your last conversation, we're not at 35,000 feet, we're at ground zero. We know the benefits of investing in our communities. We've seen the payoff, not just in better buildings, but in stronger, safer, healthier communities. We're not telling you what you don't know. You've already made education a priority, but you also know that education, that investment, is completely undercut when thousands of children go home to substandard accommodation. I also accept that you're often confronted with problems and it's really difficult to know what to do. Where do you go? How do you solve this? We know the solution. This is not rocket science.

Last April, the provincial and federal governments got together to put real money into new affordable housing. The Canada-Ontario affordable housing agreement brought the total amount committed to new affordable housing in Ontario by the federal, provincial and municipal governments to \$734 million over the life of the program. That's great news for the many households on our social housing waiting lists. But let me be very blunt: Not one cent, not one penny, of that money goes to fixing what we already have. So we build new communities, but the old ones remain a blight in this city, which prides itself across North America on not having ghettos for the poor and on not being a city of two classes.

This is about families. This is about investing in the lives of people. On behalf of our 164,000 people, the people who spend 12 years on a waiting list, we're asking you to deal with the \$224 million shortfall we have inherited and invest in the communities that need it most.

Jaquie, I'm going to turn it over to you for some comments and then we'd be happy to engage in discussion.

1450

Ms. Jaquie Waldren: Good afternoon. My name is Jaquie Waldren and I'm delighted to be able to add my voice to the call to fix our homes. I lived in Lawrence Heights in the Allen Expressway and Lawrence Avenue area for 31 years. I now live at Joseph Brown, another building owned by Toronto Community Housing. This is a newer building, and the contrast is unbelievable. Here, the apartments are bright, cheery and in excellent repair.

In my old building, TCHC has put in a lot of money. They replaced the archaic windows and replaced some of the water pipes that were leaking like sieves and dealt with the fire safety problems. But you still can't plug in a kettle and a toaster at the same time because it blows the fuse. The floor tiles have not been replaced since the building was put up over 40 years ago. The ground floor

units are freezing and hard to heat. We need better entrance doors. Right now, you can never feel settled because you don't know whether the doors are locked or not.

I look forward to the day when all 164,000 tenants at TCHC—the seniors, the youth, the children and the parents—have a decent place to live, and also pride in the places they live. We are not there yet and we will not get there until we have the \$224 million we need to fix our homes.

Those of you on the committee who have visited our homes and talked to other tenants know how strongly TCHC tenants support the campaign to fix our buildings. I am one of the nearly 400 elected tenant representatives who sit on TCHC tenant councils across the city, and I can assure you that we are all in agreement that we simply cannot go living in substandard housing.

You will be hearing a lot from us. There's a new campaign starting up called Fix Our Homes. I'm part of it, and I know that there are thousands of tenants who won't rest until we see money flowing and our homes brought up to decent standards. We are not asking for frills, we are asking for the basics: heating, plumbing, roofing, ventilation, kitchens and bathrooms and safety features. We know that annual maintenance budgets can never catch up with 30, 40 or 50 years of underfunding. We certainly do not want to see our programs for youth, young parents and seniors bled dry in the effort to patch up our buildings.

Every Ontarian has the right to a decent home. In Toronto, thousands who live in publicly owned housing are denied this right. Our homes need to be fixed. I ask the Ontario government to invest the \$224 million to bring our homes to the standard worthy of a publicly owned landlord and the basic standard that every Ontarian should expect.

The Chair: Thank you for the presentation. We'll begin with the official opposition.

Mrs. Munro: Thank you very much for coming here today. I just have a couple of questions that I wanted to ask you about. The first one is with regard to the Canada-Ontario affordable housing agreement. Were you aware prior to its announcement that it would not include money for retrofitting?

Ms. Keiko Nakamura: No, we were not aware that it would not include any retrofits for the existing stock.

Mrs. Munro: And had it been your assumption? Had it been part of the assumption you worked with that there would be money for that?

Ms. Nakamura: It was certainly our hope. We weren't included in the consultation itself, and I do understand that the focus was to reduce the overall waiting list, but certainly our focus right now is on improving our existing stock.

Mrs. Munro: I can understand that. My question, frankly, came from the fact that I assumed that would have been part of the package. On the way in which this \$734 million is divided, do you have any sense of how much of that is earmarked for Toronto?

Ms. Nakamura: No, I'm sorry. I'm not aware of that percentage.

Mrs. Munro: Okay. I feel that's a remarkable omission, in terms of not assuming that funding would be appropriate for your concerns. I can understand that you would be instituting this initiative, because I think most people would assume that it would include that. Thank you very much.

Dr. Kosny: You will certainly all know about Don Mount in Regent Park, which is really groundbreaking in both process and product of what we're doing. That gets a lot of press and a lot of coverage. But we're dealing with buildings that are 50 years old where they're basically substandard at the same time, so it's a case of the optics being that we're doing fabulous, but meanwhile most of our portfolio is in an incredibly difficult situation and we have nowhere to go.

The Chair: We'll move to Mr. Prue of the NDP.

Mr. Prue: Thank you very much for inviting me to stay at Jane-Finch. I don't know whether you know, but I grew up in Regent Park; that's where I'm from. I want to tell you that the condition I found that building in was worse than anything I remember growing up in either Regent Park or in an Ontario housing complex in Scarborough. There's no question that repairs are desperately needed. I've asked the minister in the House and I've made a couple of speeches in the House about what I saw. Have you had any indication whatsoever from ministers who stayed there, the finance minister, anyone at all, that they are sympathetic to what you're asking and that we can see some action in the upcoming budget?

Dr. Kosny: I was in St. James Town with Minister Smitherman and with Mr. Gerretsen in Moss Park, who actually made the comment that one of his previous visits there was in his role on the OHC, and it had board meetings. His comment was that things haven't changed all that much. So I put the years in between that time and now.

I will say to you quite frankly that everybody who's been at an overnight in our housing, regardless of their political stripe, walks out with an understanding that these issues are real. As you know, we haven't painted up the buildings when someone comes to stay over. What you see is what you get.

In terms of their oral response and written thank yous, everybody's supportive and everybody says they understand and they get it and are onside. As to commitments to do anything from that point, I haven't heard any.

Keiko, do you want to add a comment on that?

Ms. Nakamura: I would definitely share that. We also received quite a bit of support in relation to how we are continually trying to balance the priorities in our communities. The reality is that we could move all our monies over to the buildings and invest every penny into them. The problem we then have is that we have unbalanced, unhealthy community in that we have, obviously, safety concerns in Toronto right now, we have youth programming that is in dire need, so we had quite a bit of recognition in relation to what we are trying to strive to do at a community level.

The Chair: We'll move to the government.

Mr. Arthurs: Thank you for the presentation. It's precise, it speaks to the issue very clearly. Mr. Prue has raised the matter in his speeches in the Legislature and during our budget hearings about his experience, and we've heard that very clearly as well.

The second-largest property owner in the country: Is that correct?

Dr. Kosny: The second-largest housing company in North America.

Mr. Arthurs: In North America.

Dr. Kosny: Yes.

Mr. Arthurs: Okay. We've also heard clearly that housing is one of the fundamental, if not the fundamental—maybe apart from feeding oneself. It's among the two most fundamental needs that individuals and families have. From your business and resident experience, can you tell me a little more about how fundamentally important housing is, based on the experience you have as a tenant or with your neighbours or as a board chair or as an executive?

Dr. Kosny: Maybe I can start off. Let me say that while I'm here as chair, I've been a professor of city planning for 25 years, so I understand some of the linkages between physical, social and economic. I would only say that part of our core mission as a housing company is that we're in more than the housing business; we're in building healthy communities and healthy neighbourhoods, and that's where that linkage between—as Keiko said, we could divert all of our funding and fix the housing. That would eliminate all youth programs, all community activities. I don't want to promise or threaten, but I think we know full well that when you remove all of those kinds of programs in a neighbourhood—the straight-line projection is that we're sort of there now.

1500

For us, you can come home from school, you can come home from work, but if you don't have a home that you feel safe and secure in bringing your friends to, let alone yourself, or you can't lock the door or that physical environment isn't just basic, everything else, in my view and I think ours, crumbles. You've got to start with some—and I keep saying this—very basic shelter. That's all we're asking for. If you can't provide that right, as I would call it—it's not a privilege to have housing. Our view is that we're not two classes here. Everything else starts from that basic right, and without it, the whole house of cards about economic development, involvement, engagement, interaction and infrastructure falls.

Jaquie, I don't know if you want to—the very personal. How does it start?

Ms. Waldren: Part of the problem for residents is that because of the poor condition of our homes, we really don't feel comfortable inviting our co-workers and our other friends from outside the community home because we're embarrassed to show people what it looks like in our places.

At one point, from leaks in the walls, the walls in my bathroom were peeling apart, and the concern from the

housing staff was how much it was going to cost to fix it. It wasn't that they didn't want to fix it; it was a matter of, "How much is it going to cost to fix it and how can we afford to do it?" Then you have your friends come over and, needless to say, they go down to the end of the hall, and there's this bathroom that's falling apart and they're thinking, "Why do you live in a place like this?"

Working so closely with upper management, I understand the nickels and dimes, but a lot of people don't. It's very hard to be proud of the place you're living in and raise a family and go to work when all this is going on around you.

The Chair: Thank you.

Dr. Kosny: The other quick, quick comment, if I can, Mr. Chair, is that we're moving very quickly and sliding fast into what I will call gated communities, but they're not the kind of gated communities that some of us think about. We're talking about gated communities that are defined by lack of income, by lack of adequate structure, by lack of services. This isn't the gated community that you see in seaside Florida. This is the lack of, and they are islands just as well, defined by their absence of things. That's not the Toronto that we're used to or that our tenants or residents should accept.

The Chair: Thank you for your presentation this afternoon.

MERCK FROSST CANADA LTD.

The Chair: I call on Merck Frosst to come forward, please. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning after that. I would ask you to identify yourself for the purposes of our recording Hansard.

Ms. Tama Donahue-Walker: My name is Tama Donahue-Walker, and I am director of corporate affairs for Ontario.

We appreciate the opportunity to present to the committee and share with you our views on how Ontario's economy can benefit from a strong and robust innovative pharmaceutical industry. I going to highlight for the members that our written submission contains additional information and evidence that, in the interest of time, could not be presented here today. Our presentation today will focus on two themes: the benefits of a strong biopharmaceutical industry in Ontario and the importance of access to medicines.

Merck Frosst Canada Ltd. is one of the country's leading research-based pharmaceutical companies. The Merck Frosst Centre for Therapeutic Research is the largest private biomedical research facility in Canada. Each year, we invest more than \$100 million in research and development in Canada.

Knowledge-based industries, including the pharmaceutical sector, are key drivers of productivity, economic growth and improvements in the standard of living. The innovative pharmaceutical industry develops new tools for health care providers and new ways to improve quality of life for patients. Moreover, it creates new

opportunities for high-value research and, in the process, produces high-value jobs and significant spin-off economic activity.

As a company, we are encouraged by the government's commitment to growing the economy and investing in highly skilled jobs. The Premier sent a strong signal when he created the Ministry of Research and Innovation and appointed himself minister. It was this type of thinking that led our company to invest more than \$3 million in the MaRS Discovery District, moving some of our business development, corporate affairs, patient health management and vaccine operations there.

Merck Frosst looks at several factors when making investment decisions, chiefly, whether the jurisdiction supports a productive innovation system and whether it holds the conditions which make it attractive to commercialize. These would involve having policies that provide intellectual property protection, fair and reasonable market access, efficient regulatory review times, R & D commitments from local government and tax credits that incent investment.

High-quality science also plays a role in our investment decisions, and Merck Frosst values our relationships with the research and academic community. Our company spends millions of dollars annually on research, salaries, benefits, grants and sponsorships. In 2004, Merck Frosst invested \$5 million in the Robarts Research Institute in London to establish the country's first research centre dedicated to respiratory imaging.

While these investments are important, there are steps the government can take to increase investment. As committee members may know, Quebec represents 42% of Canadian pharmaceutical research and development expenditures, the largest share of pharmaceutical R & D. We are often asked about how Quebec has successfully attracted this level of investment. Some years ago, Quebec made the decision to develop a thriving economy based on two industries: aerospace and innovative pharmaceuticals. They put in place policies that attracted companies and investments there. They are currently in the process of reviewing their drug policy, and it is based on four pillars: accessibility to drugs, fair and reasonable prices, optimal use of drugs, and maintenance of a dynamic pharmaceutical industry in Quebec. Any proposed policy must not violate any of these core tenets.

Quebec has implemented such policies as BAP 15, where innovative products are reimbursed on the formula for 15 years and are not automatically switched to a generic product even after the patent has expired. The Ministry of Finance in Quebec has analyzed this policy and has found that the economic benefits of this industry outweigh the costs of reimbursing the products.

The province also offers a five-year tax holiday for foreign researchers where they are exempt from paying income tax on a sliding scale for the first five years they are in Quebec. Quebec has also made a commitment to refrain from implementing a reference drug pricing policy.

Finally, in an effort to maintain a balance between health policies and economic development, Quebec has

established a committee that allows for discussions between the Ministries of Health, Economic Development and Research, as well as pharmaceutical manufacturers.

The Ontario government also needs to ensure that their health policies are not detrimental to their economic development policies. We would recommend that the government create an innovation commission or mechanism that requires all new government policy and cabinet decisions to be viewed through an innovation lens, recognizing the importance and priority that this government places on supporting innovation.

An example of a proposed policy that could be reviewed through this mechanism is one known as off-formulary interchangeability. For ODB recipients, when a product is listed on the Ontario drug benefit formulary and a generic version is available, the pharmacist must dispense the generic version of the drug. This regulation facilitates the government achieving lower generic prices since these products must be no more than 70% of the brand name product price as a requirement for listing. The automatic substitution rule does not apply to products not listed on the formulary.

Because generic prices are not regulated by the Patented Medicine Prices Review Board, unlike brand name, innovative pharmaceuticals, a generic company can charge whatever price they choose for non-ODB listed products. Off-formulary interchangeability would result in a transfer of business from brand manufacturers to generic manufacturers without any guarantee of a price reduction for private payers or for patients. This would be detrimental to our business without producing a single dollar in savings for the government or taxpayers. In fact, the government would now be responsible for protecting the pharmacist from liability for products that they never listed on their formulary.

1510

New medicines have allowed people to live longer, improve their quality of life and lead more productive lives. For example, it was once the case for patients who were diagnosed with HIV/AIDS that death was a near certainty. Thanks to innovation in pharmaceutical therapy, including incremental innovations, these individuals are now able to live more productive and fulfilling lives.

Medicines have also enabled the transformation of health care to less institutional care and more outpatient and community-based care, contributing to superior outcomes and the reduction of waiting lists.

In order to sustain our health care system, prevention of diseases altogether will play an increasingly significant role. Vaccines play an important role in disease prevention. In the last century, infectious diseases were the leading cause of death worldwide. Today, they cause less than 5% of deaths. In the last 50 years, immunization has saved more lives in Canada than any other health intervention.

This government has taken leadership in providing vaccines for flu, chickenpox, meningococcal meningitis and pneumococcal disease. Major advances are being

made today in the development of vaccines that prevent cervical cancer, rotavirus and shingles. We would recommend that the government start to plan now in order to ensure that Ontarians are able to benefit from these vaccines that prevent illness and lessen the overall burden on the health care system.

We recognize that the government is faced with many fiscal challenges. We are also aware that medicines are one of the fastest-growing components of health care spending. There are many reasons for this growth: a growing and aging population, a shift from hospital care to community care and newer and better medicines that are being discovered. Despite all these reasons, innovative medicines within the Ontario drug benefit program represent about 6.5% of the Ontario health budget.

Unfortunately, while Ontario is viewed as generous in terms of patient contribution to the plan, it remains one of the most restrictive provinces with respect to product access, with only 17% of all new medicines in the past two years listed on the formulary. For those products that do receive a listing, it takes, on average, 500 days to get listed. In contrast, Quebec lists double that amount and about 150 days faster.

While we recognize the difficult immediate fiscal situation, evidence suggests that cost containment measures or policies that further restrict access to medicines not only provide less than optimal care for patients, but over the long term end up costing the health care system and patients more. Policies such as reference-based pricing and maximum-allowable-cost, or MAC, pricing result in additional costs for patients, additional patient visits for therapy switching, potential for side effects and additional administrative burden for health care providers. Studies have shown that those most impacted by these policies are individuals who cannot afford to pay the difference. In addition, discussion about putting in place further restrictions on product access only creates uncertainty in the investment climate.

As committee members are well aware, the ODB program provides benefits to seniors and those who may be economically disadvantaged. Therefore, further restricting access on the drug formulary or employing cost containment measures that create a greater financial challenge for those who are eligible for the ODB program will result in denying access to those who need the medicines the most.

Instead of implementing initiatives that focus on cost containment, we would recommend implementing health system changes that can improve the health of all Ontarians and our ability to deliver optimal care. In keeping with the new LHINs, we believe in a community-based approach to improve the delivery of health care. Key to this model is the collaboration of all health care providers, including physicians, pharmacists and nurses, along with government, patients, academia and the pharmaceutical industry.

Merck Frosst is a leader in the field of patient health management, an approach to health care that promotes wellness and health management by focusing health care

resources on closing care gaps to improve health outcomes.

In the interest of time, I would like to refer the members to a recently published resource by Dr. Terrence Montague, a cardiologist and the author of *Patients First*. He has written this easy-to-read reference entitled *Patient Health Management for Dummies*. It is a practical guide to understanding the programs, how they work and why Ontario should proceed with implementing these programs.

Ontario has the opportunity to attract much more investment from the pharmaceutical industry than it currently does. It holds many of the prerequisites for the potential of increased investment, such as strong science and research infrastructure. We encourage the government to look at Merck Frosst and the pharmaceutical industry as a partner in fostering economic growth. We appreciate that the government faces many challenges to keep its fiscal house in order. However, we would like to emphasize that medicines and vaccines should be viewed as an investment and serve as a means of not only providing better outcomes for patients but also as a means to more effectively using our health care dollars.

Again, I thank you for the opportunity to present to the committee today. At this time, I would be pleased to answer any questions you may have.

The Chair: Thank you. We begin this round of questioning with Mr. Prue, NDP.

Mr. Prue: Thank you very much. As an MPP, I have been frustrated from time to time when my constituents come in—they can't get medicine their doctors prescribe. What steps could we take to be more like Quebec in terms of taking on the advances of new medicines? As you said in your report, they do twice as much in less time. How do we do twice as much in less time?

Ms. Donoahue-Walker: Thank you for your question. There are a number of regulatory hurdles that appear to be slowing down the listing of new medications on the provincial formulary. One of those is a mechanism called the Common Drug Review, which is a federal group that evaluates new drugs. Through the federal Common Drug Review, there are very few of these new drugs that are actually recommended for listing on provincial formularies. There are only about 40% of them that are actually recommended for listing. Then Ontario makes a decision after the Common Drug Review makes its decision on whether or not to list those new products. Quebec, actually, does not participate in that Common Drug Review.

Mr. Prue: That's what I thought.

Ms. Donoahue-Walker: So that's one of the differences.

Mr. Prue: So Quebec goes its own way, as they do with so many of the programs. They just do it themselves. They bypass the entire federal system. I don't know that we can, but I guess we can. If Quebec can, we can. So you would recommend that we do what Quebec has done and simply go it alone.

Ms. Donoahue-Walker: I would recommend that we reconsider our involvement in the Common Drug

Review. I think we have the expertise in Ontario to make these decisions ourselves and to know what is best for Ontarians.

Mr. Prue: This being the budget committee, any idea what it might cost us to go it alone? Right now, it's being funded in Canada. We would have to pay anyway, even if we went it alone—maybe.

Ms. Donoahue-Walker: Yes, and that's a great question. I haven't got any numbers to tell you exactly how much that would cost, because even if we look at Quebec, they reimburse more broadly across the entire population than we do in Ontario, which is really just for seniors and for those on the Trillium drug program. So you couldn't really even take those numbers and apply them. It wouldn't, unfortunately, give you the best estimate.

Mr. Prue: How do we stack up in terms of Quebec, in terms of pharmaceutical companies? I know if I go out to Mississauga, there's a whole swath of them. If you travel around Ontario, there are quite a few, too. Does Ontario have as large a pharmaceutical manufacturing and research group as Quebec does, or are we bigger?

Ms. Donoahue-Walker: I don't know which is bigger in terms of number of companies, for instance. There is certainly a large number of companies, Merck Frosst included, that are in Quebec. However, I do know that in terms of R&D dollars, the R&D dollars that are spent are greater in Quebec than in Ontario.

The Chair: Now I move to the government.

Mr. Arthurs: Tama, thank you very much for your presentation. I was pleased to see that you commented on the Premier's establishment of a new ministry, Innovation and Research, and heading it up as a strong signal. Since you have the audience, either of his caucus or the opposition when we get to the question period, when we get that far, within the set of recommendations—I think there are eight recommendations that you've made—can you highlight from within those which ones you would want to point out most clearly to that minister as a means of strengthening the position of the industry in Ontario?

Ms. Donoahue-Walker: I think one of the key recommendations I would ask the Premier to look at would be the recommendation regarding the innovation of LHINs, looking very closely at each of the policies that would be put forward and whether or not it truly would be consistent with what they're trying to do in terms of improving the environment for innovation and commercialization of new products. So I think that's really the key recommendation.

Mr. Arthurs: Getting to the point of commercialization of the product as well.

Ms. Donoahue-Walker: Absolutely.

Mr. Arthurs: Which would certainly align nicely with Minister Cordiano's objectives from the standpoint of looking at research and commercialization as one of the key ways to move the economy forward, to actually getting a product out there as opposed to just getting through the research phases.

Ms. Donoahue-Walker: Absolutely. That's the key. It's great that it gets to the market, but then if it's not

reimbursed once it gets to the market, then certainly that's very difficult for a company if they don't have those revenues coming in to support the research they've done.

Mr. Arthurs: Thank you very much.

The Chair: Now we move to the official opposition.

1520

Mr. Hudak: Thank you very much for the presentation. It's also good to see the hard-working, very astute Amanda McWhirter here in the committee room. I want to recognize on the record that Amanda has joined us as well.

You cite off-formulary interchangeability as an example that should be viewed through this R & D lens. Is that something that's under active consideration?

Ms. Donohue-Walker: I know there is a number of policies under active consideration as a result of the drug system secretariat and the review it is considering. Certainly, this is one of the policies that has been raised in some circles as a possibility for consideration. I'm not sure where it is at this point. The recommendations have gone to the minister and are waiting to go forward from there.

Mr. Hudak: I remember that at about this time last year there was a great concern about reference-based pricing. A number of seniors' groups had come forward and expressed concern. Is that a dead issue or is it still an ongoing concern among seniors or the pharmacy industry?

Ms. Donohue-Walker: Reference-based pricing will always continue to be an area of concern, and also another policy called maximum-allowable-cost, or MAC, pricing. That's a similar policy, but instead of choosing a product it chooses a cap in terms of a dollar amount that would be spent and then the patient would have to pay the difference. That policy, in addition to reference-based pricing, are probably options that are also on the table.

Mr. Hudak: One of the challenges we have in our health care system in Canada is that there's not much of an incentive for us to stay in good shape, keep our health in top condition, except for when you get sick. But there's not a financial incentive, so to speak. Second, we all pay into a large CRF and then the finance minister decides how much will go into the health care system. In that type of system, how would something like patient health management actually work? Practically, how could you institute that sort of thing into our system?

Ms. Donohue-Walker: One of the important components of a patient health management system is where you involve the patient in their own health care and they're very intimately involved with the nurse or any other kind of health care providers who would be helping to instruct them on what is good for them and their own health. If it requires additional exercise or whatever the other activity is, way beyond pharmaceutical care—it's looking more broadly than pharmaceutical care, and I think that's the important thing. It's the interaction between the health care practitioners and the patient that really helps to move this along. Certainly, that was our

experience in the program called ICONS in Nova Scotia, where we looked at cardiovascular outcomes in Nova Scotia. There was very strong patient satisfaction with that system, where they felt their health care practitioners were more involved in their care. I think that kind of thing would help, from a health promotion perspective.

The Chair: Thank you for your presentation.

UNITED STEELWORKERS, DISTRICT 6

The Chair: I call on the United Steelworkers, District 6, to come forward, please. You have 10 minutes for your presentation. There could be 10 minutes of questioning. I would ask you to state your name for the purposes of Hansard.

Mr. Charles Campbell: My name is Charles Campbell. I am the research director for the United Steelworkers union Canadian national office.

I am appearing here today on behalf of Wayne Fraser, the union's director for Ontario and Atlantic Canada. He was called away suddenly because of the announcement this morning of the closure of the B.F. Goodrich plant in Kitchener, where more than 1,000 of our members work. This was announced by the Michelin company, which is the parent company. So he is busy with our members there dealing with this, which unfortunately is really just the latest of a number of difficult or problematic warning signs about the manufacturing economy in Ontario, which I will be touching on in the course of what is Mr. Fraser's presentation.

We appreciate the opportunity to present our union's view of the actions the we believe the government of Ontario should be taking in the 2006 budget, or possibly sooner.

As you know, the Steelworkers in Ontario work in almost every sector of the economy, including universities, health care, security, banking, transportation and hospitality, as well as mining, primary steel and secondary manufacturing, where we're probably best known.

We have thousands of members in the forest industry in Ontario and across Canada and, for that matter, the United States. In Ontario, this industry is truly in crisis and looking for urgent government action. Your committee heard last week in Timmins from my colleague Roger Falconer from the Steelworkers national office in a presentation focused completely on the forest industry and the threat to mills across the north. As he told you in more detail, the economic health of many communities in northern Ontario is directly at risk these days, along with the jobs of our union's members.

The Ontario government came out some months ago with a \$350-million loan guarantee program for the industry that unfortunately, as many in the industry said at the time, was totally missing the point. Since we finalized our presentation earlier this week, in his comments yesterday the Premier more or less conceded that that program has not been effective and that something more has to be done. We certainly welcome that, and there is absolutely no time to lose in taking action to deal with the crisis in this industry.

For one thing, we need the government to deal with energy costs that have soared because of the misguided system of deregulation of energy that was put into effect under the Harris and then Eves governments and which has really not been reversed. Under the system that's still in place, hydro costs for lumber and pulp mills in northern Ontario skyrocket at the whim of the market in southern Ontario. This means when people in the south flip on the air conditioning, mills up north suddenly see their power bills go up. This has no relationship to the actual cost of delivering electricity in the north, and it's a recipe for disaster that we're unfortunately seeing unfold.

The increasing delivery costs for fibre, stemming from fuel prices and the cost of building roads, also needs to be addressed, and we need to involve local communities to ensure that the natural resources of northern Ontario produce local job creation and local economic benefits.

As it happens, fixing Ontario's hydro policy would have benefits that go far beyond the forest products industry. The entire secondary manufacturing sector of the province is in trouble, losing something like 50,000 jobs since the McGuinty government was elected. It appears that along with the rising Canadian dollar and other things, the high energy costs are among the problems facing the Goodrich plant in Kitchener that they have announced they're closing.

There may not be much the provincial government can do about the soaring Canadian dollar, but delivering reliable power at a reasonable price has long been something that Ontarians expect of their government, both as workers and as consumers.

In the brief time we have today, I want to touch on several other issues that are priorities for the Steelworkers in Ontario. Last year's budget, responding to the Bob Rae review of post-secondary education, made a welcome multi-year commitment of increased funding to colleges and universities. Unfortunately, progress has been extremely slow in terms of actually seeing the new money make a difference on the front lines, where university staff struggle to provide high-quality services to students. We've been urging the government, as an accountability measure, to earmark a portion of the new funds for hiring and retention of staff. We still believe this would be a timely step to make sure that the funding increases that the government has committed to actually produce results.

Another disappointment comes from the indication that the McGuinty government is going to walk away from the success it has had in keeping a major campaign promise by freezing tuition for two years. Ensuring affordable access to college and university is extremely important to our union. Our members want to be sure that their children and grandchildren will be able to continue their education without taking on exorbitant debts. A post-secondary degree or diploma today is becoming a basic credential for any decent-paying job, like high school completion might have been a generation ago. Premier McGuinty had the right idea with his tuition freeze when he was campaigning for office; there's still

time to do the right thing and extend the freeze, although in this area, unlike the question of action in the forest industry, the Premier's comments yesterday were not encouraging at all.

I also want to take a moment to urge the government to take action on pension regulation and retirement security. This is an issue the Steelworkers have always felt strongly about, but it's even more true after the experience we've just gone through at Stelco. For two years, our members and retirees faced the threat of a company that was saying it needed bankruptcy protection because of its pension obligations. It continued to maintain this position even when it started reporting record profits. Our union fought back with everything we've got, and we're proud that we've been able to reach the end of that process with no cutbacks in wages, no reduction in pensions and a solid plan to get the Stelco pension plan properly funded again, and a solid plan that we hope will restore prosperity to that company.

1530

In November, the Ontario Federation of Labour adopted a comprehensive pension policy at our biennial convention. The Steelworkers support that full agenda. I'll only take time now to emphasize the need to bring the provisions of the Ontario pension benefits guarantee fund up to date. Unfortunately, many of our members and retirees have had to depend on this guarantee fund in the past two years, as a wave of bankruptcies has hit the manufacturing sector in this province. Without the back-up from this fund, there would have been serious suffering. The ceiling for the fund's protection, however, has been frozen at \$1,000 per month since 1988. This is now grossly inadequate. We support the OFL's call to raise this limit to \$2,750 per month, and then create an automatic indexing link to inflation so it is not allowed to fall so far behind the times again.

The government's interest in pensions, sadly, seems to be mostly focused on trying to tap pension funds for expanding privatization of public services, especially through public-private partnerships or alternative financing and procurement, which appears to be the name for it these days. We believe the record is clear that P3s or the AFP approach will cost more, funnel public money into private pockets and close off these deals to proper scrutiny and accountability.

I also want to urge the committee to consider the effects that persistent poverty has on our economy and society in Ontario. The distressing fact is that people who have to rely on social assistance or disability benefits are actually worse off now than they were in 2003 when the Conservatives were defeated. We saw charts of that earlier this afternoon. The token increases provided by the McGuinty government have not kept up with inflation. It's time to get serious about building affordable housing, about guaranteeing affordable tuition rates, about expanding public health care services, about making sure that people on social assistance have enough to live on. We would like to see this year's budget abandon token measures and declare a serious effort to address poverty in our otherwise prosperous province.

Finally, I want to repeat a point that Mr. Fraser and other Steelworkers representatives have made to the government and this committee and other committees before. Extending the right to card-check certification in the organization of labour unions only to the construction sector was unacceptable. It's discriminatory, especially against the women and minorities who dominate in other sectors of the economy such as the service sector. It has the appearance, if not the reality, of political payback for support of the McGuinty Liberals in the last election campaign. Card-check certification worked well in this province for decades under Conservative, Liberal and NDP governments. When the Harris government abolished card-check certification to make it easier to defeat union organizing campaigns, the Liberals in opposition voted to keep the card-check system. We don't accept the government's position and will not rest until a fair system for union organizing is restored in Ontario.

Thank you for your time. I look forward to your questions.

The Chair: Thank you for the presentation. We begin this rotation with the government.

Mr. Wilkinson: Thanks, Wayne. Roger did do a good job for you as well.

Mr. Campbell: My name's Charles. I'm here on Wayne's behalf.

Mr. Wilkinson: Sorry, right. But Roger's still the same guy.

Mr. Campbell: Roger is still the same guy.

Mr. Wilkinson: And he did a good job.

We hear a lot up north about the concerns you're raising. The Minister of Energy just announced, either yesterday or this morning, consultations with the public in regard to the energy mix. I would encourage the Steelworkers to partake in that. I think the minister wants to hear from a broad cross-section.

Just one quick question: You were talking about freezing tuition. We had the undergraduate students here today, and their recommendation was that they thought we should eliminate the tuition tax credit, which helps those students, particularly their parents, of higher income, and actually target that money into student assistance for the lower-income young people. If we did that, they thought it was acceptable to allow tuition to rise with inflation as long as direct financial assistance was going to be there, including a proposal based on marks, that there are entrance scholarships provided by the province. Do you see that as another way of achieving the means that you want to see, in other words, greater equity, particularly for accessibility for those bright kids who want to get off to university, who have the marks but are unable to go because of the cost?

Mr. Campbell: I think there is considerable merit in looking at taking the leakage of revenue from the tuition tax credit, which of course is of no use to people who don't pay income taxes or who can't attribute it up to their parents or whatever, and finding better use for that. I would not be prepared to endorse their idea that that would then make it okay for general tuition levels to rise.

There is substantial research that suggests that tuition levels in and of themselves are deterring folks from families who have not gone to college and university before and that scholarships for folks with high marks or other kinds of things that may well have their place to encourage certain kinds of outcomes aren't sufficient to diminish the effects of the sticker shock of high and increasing tuition rates. While it's worth looking at some of the suggestions they've made, we think they should be combined with a continuation of the tuition freeze.

The Chair: Now we'll move to the official opposition.

Mrs. Munro: I wanted to ask you a couple of questions related partly to the question of post-secondary, but before that, on the same page you made reference to the problems with regard to the secondary manufacturing sector and the job losses that have taken place, recognizing that the strong Canadian dollar isn't something we have control over, but that the delivery of reliable power is. I just wondered whether or not you had any position on the types of generation that we have available to us now or the direction in which we should be moving.

Mr. Campbell: I'm not in a position to state the union's position on moving from one type of generation to another. It's an important and difficult question that we'll be addressing in a number of forums. I think it's vital to do this in a context that recognizes how poorly it has worked out to confuse the cost of generating power with the price the market will bear. It has worked out especially poorly in Ontario's system of postage-stamp prices across the province so that even with little ability to transmit electricity from the northwest to the southeast, it's had all the effects that you've heard about.

Whatever the most appropriate mix is, both of generation types and of the most aggressive possible efficiency and conservation programs, it's going to be essential to put in place quite a different structure for pricing in order to recapture some of what Ontario at one time had in terms of a structural advantage from abundant and attractively priced power. There was a suggestion earlier that those days are gone forever, which we would categorize as defeatist.

1540

It's sometimes said of George Bush that he was born on third base and thought he hit a triple. To a certain extent, in terms of the Ontario economy, much of what was done over 100 years amounted to hitting a triple and a lot of people think we were just born on third base. There was a conscious industrial policy of attractively priced power that created much of the industrial infrastructure that's taken us where we are today.

Mr. Prue: By way of prefacing my question, yesterday Wayne Samuelson came before the committee and talked about how five out of the six factories in the downtown core, when he was a younger man, had closed up, and he was glad he ended up getting a job in the sixth one. By the way, that was the one they announced today, so it now means all six are gone. Have they given any reasons why they're shutting this down? Is it energy

cost? Is the building too old? Is it unproductive? What have they said?

Mr. Campbell: This announcement came out only a few minutes before I left the office to come here. Wayne Fraser called and said, "You're on, not me." I looked quickly at their announcement. They make tires for cars which fewer people are buying, so the first thing out of the gate that they announced really doesn't have a great deal to do with those policies. They are moving the production to the United States. It's fair to assume that the Canadian dollar has a part to play. And I think it's extremely likely that part of the reason that plant was located here was because they had an energy price advantage. Not only are the costs they're paying no longer lower, but the volatility and uncertainty in the current Ontario system is something that employers just can't live with.

Mr. Prue: You went on to talk a little bit about pensions and what happened at Stelco. Well, we've been having quite the debate here in a legislative committee over the last few days about Bill 206, the restructuring of the OMERS pension plan. You said that the Ontario Federation of Labour adopted a comprehensive pension policy. Does the OFL or Steel have a position on this new bill? Will it have any impact on your members?

Mr. Campbell: We don't have any members who are under the OMERS system, so it doesn't have a direct impact. I've read some of the analysis and position papers put forward by both CUPE and by the municipal association. They don't agree on very much, but they seem very persuasive that there are considerable problems. Putting in structural impediments that make it nearly impossible for the pensions ever to be improved is something we would certainly have a big problem with if it related to our members' pensions.

The Chair: Thank you for your presentation.

YORK CENTRAL HOSPITAL

The Chair: I call on York Central Hospital to come forward, please. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. David Weldon: Thank you very much. My name is Dave Weldon. I'm the chair of the board of trustees of York Central Hospital. It's a pleasure to be here today. It's doubly a pleasure: I was here on Monday to talk about Bill 36, and during those hearings the fire alarm was going off the entire time, so it's nice that we don't have that as background.

Our presentation is entitled Building, Caring and Meeting Our Community's Health Care Priorities; it's the York Central Hospital's position on some things we would like to see in the 2006 Ontario budget.

I want to thank the committee for giving us the opportunity to contribute to this year's pre-budget consultation process. I hope that our contribution to your deliberations will be valuable as you prepare advice for the govern-

ment in advance of the 2006 budget. Quite frankly, we hope that our presentation has the same kind of effect as it did last year, and I'll get into that.

First, some background: York Central Hospital is a 426-bed community hospital located, as I mentioned, in Richmond Hill. While our patients are mainly from York region, 25% of the patients we see come from other areas of the province. We are proud of our mission to provide excellence in community and regional hospital services for the people of York region and beyond.

In 2004, the population we serve grew by almost 35,000 residents. That's like plunking down the city of Orillia in the middle of our catchment area in one year, and that's been going on for probably something close to 10 years now. In terms of patient care, in 2004-05 this resulted in over 65,000 ER visits and an additional 105,000 other ambulatory visits at our hospital. Additional information on the range and scope of programs and services we provide is included with this package.

Under the heading of "Improving Capital Infrastructure," we need the committee to know that last year, as part of your 2005 pre-budget consultation process, we provided a submission that spoke of the need for government to invest in hospital-based services in high-growth areas like ours to ensure that timely access to modern health services in local communities can continue. We offered several recommendations to the provincial government about how health care infrastructure in York region could be strengthened, and we specifically asked this committee to recommend to the government that phase 1 of our hospital's capital redevelopment be a top priority in the 2005-06 fiscal year and to have it immediately approved so that York Central Hospital could take full advantage of that year's construction season.

Well, I am pleased to be here today to formally thank the government for responding to our submission, for recognizing the unique health care needs of York region that are being driven by unparalleled growth and for acting immediately on our request to approve our capital redevelopment project. On April 1 of last year, York Central Hospital was pleased to host our local MPPs, including Greg Sorbara, Mario Racco and Frank Klees, for the announcement of the final approval of phase 1 of our major expansion and renovation project. With a total cost of \$93.2 million, this redevelopment project is the first major expansion to the hospital's facilities since the building of the Langstaff wing over 30 years ago. When that wing was approved 30 years ago, the population of Richmond Hill was 32,000 people. In 2004, 35,000 people were added to our catchment area—a significant change.

There has been outstanding local support for our facility. To date, the Ministry of Health and Long-Term Care has contributed \$55.5 million toward the total cost of phase 1, including \$9.1 million to cover project planning and preparation. The balance of funding is provided by the region of York and the York Central Hospital Foundation. The outstanding support from the town of Richmond Hill, York region and from our local com-

munity for phase 1 has gone a long way in ensuring that the goal is realized. Moreover, through the work of the York Central Hospital Foundation board, staff and all of the local volunteers, we are 90% complete in our campaign to ensure that the community funding required to support phase 1 has been achieved.

We have strong local representation. I want to take the opportunity here today to recognize the support of all of our local MPPs: Mario Racco and Greg Sorbara from the government caucus and Frank Klees from the Conservative caucus. We are fortunate to have such strong local representatives who all passionately support strengthening health care for the residents of York region. They've been able to put party differences aside and have put the interest of York Central Hospital where it needs to be: front and centre. Those efforts are for their constituents. Their efforts were instrumental in ensuring that we moved forward so quickly, and we were very pleased to have them all attend the formal funding announcement. In fact, a week from today—next Thursday morning—we will have the formal, official groundbreaking for phase 1.

What is it doing? It is improving patient access. Phase 1 will have a significant impact on the delivery of critical health care services in our region. For example, the redevelopment will:

- triple the size of our emergency and diagnostic imaging departments;
- double the size of the critical care unit;
- create a state-of-the-art birthing unit;
- provide schedule 1 mental health facilities, including six new secured beds;
- expand fracture, plastics and ophthalmology clinics; and
- add a total of 87 new in-patient beds, including new acute care medicine facilities.

1550

Of course, the main goal of phase 1 of the redevelopment is to strengthen our services for our patients. Our emergency room patients can expect shorter waiting times, greater privacy and comfort in treatment areas, and faster access to a range of diagnostic services such as MRI and CT scans. For hospital in-patients, they can expect faster admission to an in-patient bed, improved access to critical care and birthing services, and new and renovated patient care units featuring negative pressure isolation rooms for isolation of highly infectious patients. We were one of the hospitals that was closed for a while, a year or so ago, because of SARS, and the need for isolation negative pressure rooms was very apparent then. It will also provide faster and more convenient access to outpatient services following discharge.

Work, as I said, is well under way. We officially awarded the tender for phase 1 of the redevelopment on November 16, and we hope to be able to fully realize the benefits of that phase in just less than three years. We recognize that this is an ambitious time frame; however, our patients, our staff and the new residents moving in deserve nothing less.

The government has been investing in York region health care. In addition to the approval of phase 1, I want to quickly recognize the government's other health care investments at our hospital. The addition of a new MRI, a CT scanner and special procedures suite with a fluoroscopy unit has allowed York region residents to access services much faster and much closer to home. We support the call of the GTA/905 Healthcare Alliance to expand local access to both hospital and health care services. The government investments will do just that. The addition of the MRI at our hospital we believe will reduce current waiting times by 50%. We have recently received approval from the ministry for a new dialysis unit. Once completed, the new unit will provide traditional hemodialysis treatments for up to 108 patients and home hemodialysis therapies for 50 or more patients in their homes.

We also work closely with local community health care partners to expand the health care services available to people in our community. In that vein, we were pleased to recently announce the official opening of the district stroke centre, located at York Central, offering enhanced preventative, emergency and stroke rehabilitation services to York region and beyond. York Central Hospital has been proud to play a leadership role in the establishment of a coordinated response to the care of stroke patients in York region.

Newer, more modern facilities, better access to care, services closer to home, accountability to our patients: These are all part of York Central Hospital's plan to implement our mission to provide excellence in community and regional hospital services for the people of York region and beyond. But we still need a plan for the future. York region is one of the fastest-growing regions in Canada. Phase 1 of our capital redevelopment project represents an important, albeit limited, part of the critical capital improvements that need to happen at York Central Hospital. In order for our staff to be able to deliver quality health care and our patients to receive the health care they need, both phase 1 and phase 2 of our capital redevelopment program must be completed. The two phases are interlinked and should be thought of as one complete program.

The Chair: You have about a minute left for your presentation.

Mr. Weldon: Okay. Phase 2 is important because it directly addresses the government's priority on reducing waiting times for priority services. We recognize that it's still a few years away. We've always worked co-operatively with the ministry staff. We would ask this committee to recommend that the government give York Central Hospital the tools now to plan for future growth by approving phase 2 of our capital redevelopment program as early as possible.

The main message of our presentation today is the need to build on what's been started. I want to also briefly touch on some of our operating challenges. Health care facilities in Ontario are working hard to balance their books, but it's difficult to do this with rapidly rising prices and in growing communities.

We support the recommendations of the GTA/905 Health Care Alliance. We agree that until a new provincial hospital funding formula is developed that fully takes into account population growth, the government of Ontario needs to immediately establish a separate growth funding envelope that is adequate in size and provides catch-up funding in rapidly growing communities.

As well, we would like the government to consider the reintroduction of development charges for hospital purposes to be levied on new development. The growth that new homes bring can help pay for the capital needs of hospital expansion.

In conclusion, I want to thank the government for acting on the recommendations of York Central Hospital last year. We are moving forward with our phase 1 and we dearly need your assistance to get phase 2 going and to ensure that appropriate operating funding is there to serve our residents and our patients. Thank you very much.

The Chair: Thank you for the presentation. We'll begin the questioning with the official opposition.

Mrs. Munro: Thank you very much. As a York region member, I can certainly attest to the kind of challenges that growth presents in York region. I want to compliment you on your success last year in looking at phase 1. The dilemma for you and for me, as residents of York region, is to be looking at the ways in which that catch-up funding—because, as you would know, it is in both the health care and social services part of the basket of services and it's one that, as a member, I'm very conscious of. I congratulate you on getting phase 1 and certainly look forward to you getting phase 2 as well.

Mr. Weldon: Thank you.

The Chair: Now we'll move to Mr. Arthurs of the government side.

Mr. Arthurs: Mr. Weldon, welcome. As well, congratulations on your success in York Central. There have been a number of announcements throughout the course of the year on hospitals, a number of those in the 905 regions—as opposed to 905 Hamilton—that are going to lead us in the right direction and context, not all of them this year, but over the next two or three years.

You did take the opportunity to comment on the 905 alliance's position that there should be a strategy for high-growth areas. Yours is one of those, a part of the overall package. You might want to comment on why you see that as important. We had Tariq Asmi from the alliance with us yesterday commenting from that context. You also made reference to their submission on development charges and the importance for their inclusion in capital campaigns. On that side, do you see the reintroduction, if it were to occur, of development charges diminishing the capacity to garner the support from the local development industry to contribute to the hospital campaigns or do you think they would still, as corporate citizens, step up to the mark when requested and required?

Mr. Weldon: On the development charges, I don't believe it would diminish the contributions that are made

to hospital foundations by developers. A number of the developers understand that the homes that they build and sell bring pressures on hospitals, and some of them, as a result of that, have donated to hospital foundations, certainly to the York Central Hospital Foundation. Some don't—some big ones don't.

When there were development charges, we were lucky, I guess, that we had not only DCs coming in to fund our hospital but also contributions from developers. Quite frankly, the contributions that are made right now, although they can be large in total, don't equal what the development charge used to be, and not all developers are doing it. On balance, I would hope that developers would not withdraw from contributions to hospital foundations in total, but if they did, the history, at least in our case, would suggest that the amount of money generated through development charges would be larger.

The Chair: Thank you for your presentation this afternoon.

1600

COLLEGE OF PHYSICIANS AND SURGEONS OF ONTARIO

The Chair: I call on the College of Physicians and Surgeons of Ontario to come forward, please. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording, Hansard.

Dr. Rocco Gerace: Thank you very much. My name is Rocco Gerace, and with me is Louise Verity, who is the director of communications. I'm an emergency physician who practised for many years in London, Ontario, until joining the college about three years ago as registrar.

We are pleased to have the opportunity to make a submission today, and I'd like to focus our submission in three areas: firstly, the need for increasing and urgent attention to address the health human resources challenges; secondly, that we move swiftly and definitively to improve patient safety in the health care system; and finally, recommending that government take immediate steps in respect to the public appointments process. I'll go through each of these in turn.

Firstly, in respect to the health human resources challenges, I'm sure all of you know that in virtually every area of the province, there are issues with patients unable to get doctors. This clearly has to be a high priority. As the population is aging, so is the physician population aging, and the shortages we see now I think will only get worse.

The college, over the past seven years, has been very active in this area, having had multiple iterations of a physician resource task force, planning collaboratively with medical schools, with government and others, and we've had successes. We've been able to facilitate on a collaborative basis the process to assist international medical graduates into practice, and as you know, more

than 25% of the doctors in this province are international graduates. Further, the college itself has enhanced and reduced barriers in its registration policies. These enhancements, without compromising standards, have led to an additional 523 doctors registered in this province. But it's not enough.

We know that family doctors are less and less willing or able to accept new patients. In the year 2000, 39% of doctors were accepting new patients. In 2004, it fell to 16%, and we believe that this year that percentage will fall even further. So we have a number of suggestions:

—We think we should further facilitate access to postgraduate training for Canadians who are studying in medical schools abroad. We frequently get asked questions about this from all sectors of the province.

—We think we should further increase our domestic capacity by increasing enrolment in medical schools.

—We have to further increase our postgraduate training capacity. We know that doctors tend to stay in the area in which they do their postgraduate training, and by increasing our capacity, we will draw and train more doctors and hopefully keep more doctors in the province.

—The government has been very kindly assisting international medical graduates in their assessment and training, and we think this should continue.

—Ontario is a great place to work. We in the college have 3,500 members living outside of Ontario. Clearly, there are many more who've been in Ontario and who've left. I think we should market this province as a great place to work and try and bring some of these doctors home.

—There are a number of health professionals who deliver care, and we have to exploit or take advantage of their expertise and look at collaborative care models. There aren't going to be enough doctors in the future, and we have to look at how else care might be provided.

—Finally, and not least important, is that we recommend the creation of a health human resources planning body, a body that will look at all health human resources and will give advice and recommendations so that we don't get into the situation in which we now find ourselves.

The next area I would like to address is the area of patient safety. I think patient safety is the hidden epidemic in the health care system. A recent Canadian study in the year 2000 demonstrated that somewhere between 140,000 and 230,000 adverse events that are preventable occurred in hospitals. The number of deaths from adverse events in hospitals ranges somewhere from 9,000 to 24,000 per year—24,000 people a year dying as a result of error in hospital.

The human cost in respect of suffering and death is immense, but I think we should also look at the fiscal cost. What these events precipitate is an increase in the length of stay in hospitals, somewhere between three and seven days. If we do the math, we can see that the number of days that would be available for other patients on wait-lists would be immense. I think there really has to be a clear and aggressive strategy, involving all stake-

holders, to address this issue as a public health imperative.

Finally, I'd like to talk briefly about public appointments. In many agencies, boards and commissions, members of the public appointed by government play a critical role. The College of Physicians and Surgeons is no exception. On the college council or board, we have 16 elected physicians, three physicians appointed from universities, and anywhere between 13 and 15 members of the public. From the beginning of my involvement in regulatory processes, I've been most impressed with the significant and important role played by members of the public. They are integral to every component of our regulatory process. Indeed, by statute, it's required that every discipline hearing have two public members serving on the panel.

In the past year, the college had to take an unprecedented step of cancelling a hearing due to a lack of eligible and able public members. We are facing continuing difficulties in filling panels, and this is a problem that's shared by other health regulatory colleges.

We have a number of recommendations in this regard. We think it would be helpful to improve the initial screening process in a way that ensures that potential candidates for public appointment have the time and ability to serve on the boards or councils for which they are being considered. We believe that these public appointees should receive strong and effective orientation, and that their per diem should increase from the \$150 a day they're now paid. It's important that all regulatory bodies have adequate public representation at all times. This is clearly in the public interest.

Finally, public members should be given the opportunity to participate in all components of the regulatory process. Not infrequently, we find that the process does not allow them to attend to some of the areas we think are very important in the regulation of medicine.

Summarizing, the three areas we're bringing to you today are, firstly, the issue for urgent attention to health human resources; secondly, that there be attention to the issues of patient safety in the health care system; and finally, that the public appointments process be streamlined and enhanced.

Thank you for the opportunity of presenting.

The Chair: Thank you very much for the presentation. We'll begin with the government.

Mr. Arthurs: Thank you for the presentation. There are two areas that I haven't heard and that I don't think the committee, at least in this go-round, has heard much about. There's the issue of patient safety. I'm interested in the types of issues that, more specifically, arise on the issue of patient safety that effectively cost us more in the overall system by keeping the patients there longer than they should be. Secondly, as to the commentary on the appointments process, I agree with you fully that public engagement on boards and commissions across the province is critically important. Your comments are well placed around the need to ensure they have the availability, have the skill set and also have adequate and

appropriate orientation with respect to the boards and commissions they might sit on. Those matters I haven't seen raised with us during this time.

Given our limited time, could you comment a little bit more on patient safety and the types of experiences you've seen that cause issues for the system?

Dr. Gerace: I'll relate back to my experience practising in the emergency department. There's a whole host of issues that lead to patient injury and patient death. Many of these revolve around drug error, problems with mixing up of requisitions and reports, the wrong drug being given or the wrong treatment being given at the wrong time, wrong limb surgery. There is a whole spectrum of problems that occur, some of them life-threatening, some of them not.

The reality is that throughout the Western world this has been recognized as a significant problem. In the US, it's suggested that up to 100,000 people per year die as a result of medical error. We thought we were doing better in Canada, but the numbers are equally staggering. If we extrapolate those numbers to Ontario, it's a severe problem, and I think a problem that will not only, if addressed, keep patients happier, but will free resources for other types of care that are so sorely needed.

1610

Mr. Arthurs: And probably provide a high degree of confidence in the professionals, whether it be the docs, the nurses or the support staff who are providing that level of service.

Dr. Gerace: Absolutely. I think it's critical that we as regulators participate in the process, because what we often see is fear among the health professionals to acknowledge errors, fear of sanctions from the regulatory bodies. We have to come up with strategies that will help the system improve. For example, at the college we've initiated a policy where it's incumbent on doctors to advise patients when they've been harmed in the health system. This leads to increased confidence in the system and we hope a reduction in preventable adverse events.

The Chair: Now we'll move to the official opposition.

Mr. Hudak: Thank you, Registrar. Ms. Verity, always a pleasure to see you as well. Thanks for taking the time to present. I know my colleague Ms. Munro has a question as well.

With respect to a proposal to allow Canadian or Ontario residents who do their training outside the country to come back for the residency, are there enough positions currently funded to allow that to take place, or how short are we?

Dr. Gerace: I can't speak to exact numbers. We have recommended in the past that for every graduate of an Ontario school there be 20% more positions to accommodate training for those from outside the province, including Canadians who are studying abroad. We think it's important because these young doctors tend to stay where they do their postgraduate training.

Mr. Hudak: To understand, then, I think we've probably all dealt with folks from our ridings who trained

in the States or somewhere else. I just want to make sure there's the proper matchup to make that a reality.

Dr. Gerace: There have been, I think, artificial barriers to these kids coming back to Ontario. These have begun to be addressed. There was a recent announcement indicating that these students can come back in the second iteration of the match. This is all complex. The problem with that is that when they match, it's after the US match, and so they take a chance by not going to the US, for example, waiting to hope to get a position here in Ontario. I think we have to create a process that will not only facilitate but encourage these students coming back to Ontario.

Mrs. Munro: I want to quickly go back to the issue around patient safety. I had a family member where a mistake was made when surgery was desperately needed—two breaks in one leg—and they gave her lunch. Then it was a four-day wait for somebody who had come in by ambulance, simply because there wasn't operating room time and things like that. I think it's a huge issue. I appreciate your concerns. What I question, though, is the complexity of who's really responsible. You talk about wrong medications and things like that. Do we have any best practices? My feeling as a family member was that it was just, "Oh well, that's too bad." It was a good thing it wasn't life-threatening, although it was extremely difficult for the person to wait four days for something that should have been taken care of right away. The complexity of who is actually responsible and how you would have some kind of process in place: Have you explored any of those, or have you seen other jurisdictions tackling that kind of issue?

Dr. Gerace: We've begun to explore it, but it's very difficult to do in isolation. It can't be focused on doctors alone. It can't be focused on health professions alone. It has to involve the health professionals; it has to involve hospitals; it has to involve systems.

We often draw the analogy with the aeronautics industry. You may recall that years and years ago there were frequently plane crashes, and you don't hear about those very much any more. They made a concerted effort to look beyond the individuals and look at the system and focus on fixing the system so that the problems don't arise; create an environment where they can look at almost errors, near misses, and see what the problems were so that those problems wouldn't happen again. It clearly is an example of success.

Some of the specific disciplines have done the same thing. Anaesthesia used to be highly problematic, and the anaesthetists have created systems to deal with anaesthesia problems. I think it's a problem we have to look at collectively, all the health professions working together with hospitals, with government, looking at a systems approach to dealing with patient safety. I think that attention to this is long overdue. We need to deal with it.

Mrs. Munro: I would certainly agree.

The Chair: Thank you for your presentation before the committee

Mr. Arthurs: Mr. Chair, I have a motion for us, and I believe we have agreement on it. I move:

(1) That the research officer prepare a summary of presentations by Friday, February 10, 2006.

(2) That the research officer provide a draft report to the committee members by Friday, February 17, 2006.

(3) That the committee request authorization from the House leaders to meet on Monday, February 20, 2006, and Tuesday, February 21, 2006, if required, for the purpose of report writing.

(4) That, if authorized, the committee meet for the purpose of report writing on Monday, February 20, 2006, and, if required, Tuesday, February 21, 2006.

(5) That for administrative purposes, proposed recommendations be filed with the clerk of the committee by 9 a.m. on Monday, February 20, 2006.

(6) That the deadline for dissenting opinions be 4 p.m. on Thursday, February 23, 2006.

(7) That the English version of the committee's pre-budget report be tabled in the Legislature on Monday, February 27, 2006.

(8) That the committee request authorization from the House leaders to table the French version of the pre-budget report during the intersession.

The Chair: Any debate?

Mr. Hudak: The official opposition agrees with the motion that is put forward as is. I also want, as I'm sure all members agree, to commend the clerk and Mr. Johnston and the team. We went to some places that are often off the beaten path for the committee historically, and it was a very well-organized tour. I commend them for their efforts.

Mr. Wilkinson: Briefly, I just want to note that our colleague Mr. Prue wasn't here for the last two delegations, but not for lack of interest. One of his constituents is receiving a medal of bravery from the Lieutenant Governor. I think that's a commendable excuse for not being here at this moment, and I'm sure he agrees.

The Chair: Thank you.

All in favour? Carried.

I too want to thank the staff who have travelled with us over the last two weeks. They have done a fine job for the committee.

The committee adjourned at 1617.

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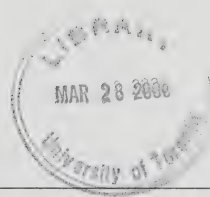
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Mr. Larry Johnston, research officer,
Research and Information Services

CONTENTS

Thursday 2 February 2006

Pre-budget consultations	F-361
Registered Nurses' Association of Ontario	F-361
Ms. Joan Lesmond	
Ms. Sheila Block	
Canadian Federation of Independent Business.....	F-363
Ms. Judith Andrew	
Mr. Satinder Chera	
Ontario Public Service Employees Union.....	F-367
Ms. Leah Casselman	
Mr. Jordan Berger	
Ontario Undergraduate Student Alliance	F-370
Mr. Scott Courtice	
Ms. Jen Chan	
Ontario Hospital Association	F-373
Mr. Garry Cardiff	
Ms. Hilary Short	
Canadian Hearing Society.....	F-376
Ms. Kelly Duffin	
Mr. Gary Malkowski	
Community Living Ontario.....	F-379
Mr. David Barber	
Mr. Marty Graf	
Canadian Taxpayers Federation	F-382
Ms. Tasha Kheiriddin	
Association of Municipalities of Ontario.....	F-385
Mr. Roger Anderson	
Mr. Brian Rosborough	
Institute for Competitiveness and Prosperity/Canadian Centre for Policy Alternatives/ Scotiabank Group.....	F-389
Mr. Roger Martin	
Mr. Warren Jestin	
Mr. Hugh Mackenzie	
Toronto Community Housing Corp	F-402
Dr. Mitchell Kosny	
Ms. Jaquie Waldren	
Ms. Keiko Nakamura	
Merck Frosst Canada Ltd.....	F-405
Ms. Tama Donaohue-Walker	
United Steelworkers, District 6	F-408
Mr. Charles Campbell	
York Central Hospital.....	F-411
Mr. David Weldon	
College of Physicians and Surgeons of Ontario	F-413
Dr. Rocco Gerace	



F-10

F-10

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Official Report of Debates (Hansard)

Monday 20 February 2006

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Lundi 20 février 2006

**Standing committee on
finance and economic affairs**

Pre-budget consultations

**Comité permanent des finances
et des affaires économiques**

Consultations prébudgétaires

Chair: Pat Hoy
Clerk: Trevor Day

Président : Pat Hoy
Greffier : Trevor Day

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Monday 20 February 2006

Lundi 20 février 2006

The committee met at 1552 in committee room 2.

PRE-BUDGET CONSULTATIONS

The Chair (Mr. Pat Hoy): The standing committee on finance and economic affairs will now come to order. We're here for report writing. I guess the first order of business would be to ask if anyone is unhappy with any of the wording in the pre-budget consultation draft report, notwithstanding that there are motions to be put forward, but just on the report itself that has been prepared for us. Is there any concern about the wording in any particular section? I'm not hearing that there would be.

Therefore, I will move now to the motions themselves. In the past, we have agreed as a committee to identify the motions as motion 1, 2, 3 etc. Everyone should have them in writing. Perhaps I will indicate—

Interjection.

The Chair: I'm advised that I need a motion to adopt the draft report as written.

Interjection.

The Chair: Mr. Arthurs. All in favour? Carried. We thank research for that report.

As I was saying, we have in the past as a committee referred to motions by number. I will indicate for the benefit of the committee in what party's name the motion stands, and then we can move forward.

Interjection.

The Chair: We have passed a motion that accepts the draft report as written, and now I'm talking about the motions. In the past, the committee has spoken to motions in terms of their number. Each person should have the motions in front of them. They are all numbered. We would refer to them by number. I will try to indicate, as we move through them, in whose name they stand. If that's agreeable, we can do that. Agreed? Agreed.

We'll move to motions. Motion 1 is in the name of Mr. Hudak.

Mr. Tim Hudak (Erie–Lincoln): Read it in, Chair?

The Chair: We don't have to, which was my point about identifying them as motion 1, 2, 3 etc., and whose name they stand in. There is an opportunity to comment, if you wish.

Mr. Hudak: I'll just give it a brief introductory comment. I know my colleague Mr. Barrett—and maybe others—wants to speak to the issue. We heard con-

tinually during these hearings about jobs—well-paying industrial jobs, I should add—fleeing the province of Ontario. I've brought forward this motion that says, at its essence, that "The standing committee on finance and economic affairs recommends the Minister of Finance incorporate an action plan for the manufacturing sector to make Ontario the economic engine of Canada once more, by realizing that tax and energy policies of the McGuinty Liberals are destroying this sector of the economy."

I'm always looking for friendly amendments if "destroying" is too strong a term, but we do want to recognize, I think since January of 2005 through 2006, some 80,000 manufacturing jobs have left the province, in all corners of Ontario. We saw in January of this past year alone some 30,000 lost jobs in that sector. So I'd like to put that motion on the floor, and I look forward to the debate.

The Chair: Comment?

Mr. Michael Prue (Beaches–East York): It's not so much a comment but a question. I would not disagree with the purport of what is being said here, except I didn't hear anything that the tax policies—and I don't know what tax policies in particular Mr. Hudak thinks are destroying that sector of our economy. Certainly, I agree that the energy policies of the McGuinty Liberals are causing huge problems, particularly in northern Ontario and in the manufacturing sector, but I didn't hear anything during the course of the debate over all those days that would pinpoint to any great extent how tax policies were doing the same. Therefore, I would have a hard time voting for that motion based on the word "tax." If it was removed or separated, I could vote for the other half.

Mr. Toby Barrett (Haldimand–Norfolk–Brant): I don't know whether Mr. Hudak wants to answer the question, but I do want to comment. I think there is obviously a broader trend. This is more of a specific motion, but there is a much broader trend with respect to not only Ontario's position in Canada but Ontario and Canada's position with respect to the United States. I know this committee received some economic data comparisons with Massachusetts, for one, and other neighbouring states. What I think would be very much a concern for the members of this committee is our position and North America's position, if you will, internationally, and I certainly think of the manufacturing enterprises in China. I don't go into Wal-Mart but I do go into Canadian Tire, and it seems that a very large

percentage of the manufactured-for-retail-sale goods in a Canadian Tire store are made in China.

At present, we are very fortunate in having a high standard of living, but we are falling behind other jurisdictions, and I think we have to recognize this. I just put that forward in the context of the seriousness of this particular motion, which again specifically focuses on job losses in the manufacturing sector.

Mr. Hudak: I appreciate my colleague Mr. Prue's comments and support on the nature of energy policy causing damage to our manufacturing sector. Just to answer his question on the tax policy as well, there were a series of business groups, among others, that referenced the high level of taxation. I think we all remember that one of the first bills brought to the Legislature raised the corporate tax rate approximately 30%—I don't have the note in front of me—and the capital tax has been postponed to some vague schedule towards 2012.

1600

As a result, according to the C.D. Howe Institute, Ontario now has the second-highest effective rate of business taxation among competing jurisdictions—that's provinces, states and other countries. I know this is something the Canadian Taxpayers Federation has brought forward. Chambers of commerce brought a similar line forward. Roger Martin, from The Institute for Competitiveness and Prosperity who was one of the representatives of the expert panel, has highlighted the impact of high marginal tax rates that are causing an impact on our ability to attract investment and create jobs. I think the combination of the energy policy and the taxation policy is most dramatically impacting on the well-paying manufacturing base in the province, and hence the result of 80,000 lost jobs this past year.

The Chair: Further comment? None indicated. I'll call the question. All in favour?

Mr. Hudak: Recorded vote.

Ayes

Barrett, Hudak.

Nays

Arthurs, Marsales, McNeely, Mitchell, Prue, Wilkinson.

The Chair: The motion is lost.

We'll move to motion number 2, in the name of Mr. Hudak. Comment?

Mr. Hudak: Another important general principle that the official opposition is bringing forward, as we heard from various groups during the committee hearings—and also an important tenet from our point of view—is that the government should finally make good on its commitment to balance the books. Of course, this was a promise by Dalton McGuinty as he was campaigning for office. We have seen a record increase in revenue to the province under this government. At the same time, while

revenues have increased substantially, there's been an average increase of some 8% per annum in the last couple of budgets. We feel a greater effort should be made towards balancing the books. In fact, if the government had stuck to its original plan, as outlined in Minister Sorbara's 2004-05 budget, given those spending expectations coupled with the increase in revenue in 2005-06, there would have been a balanced budget this past year.

We believe that in the economic statement of the new finance minister, Minister Duncan, combined with the quarterly update most recently released, revenue will actually be quite a bit higher than projected there and in fact believe the minister could balance this past year, this current fiscal year, 2005-06. Nonetheless, we are putting forward a motion that would say that the Minister of Finance should finally deliver a balanced budget in 2006-07, as committed to by the McGuinty Liberals.

Mr. Barrett: There was a pre-budget submission from the Canadian Federation of Independent Business indicating government debt and deficit is among the highest priorities for members of the Canadian Federation of Independent Business. I think that would apply to most people in Ontario. They want to see their governments at any of the three levels balance the books. A series of deficits is nothing more than an accumulation of debt, and I consider that an unfair burden, a tax, if you will, on our children and grandchildren. Every time we run a deficit, we again reduce our ability to compete in the future. I think this information came out over the weekend: Debt service charges alone now almost equal the entire budget of the Ministry of Education. Again, there's an indication of a further encumbrance on our children and grandchildren.

The Chair: Comment? None indicated, I'll call the question.

Mr. Hudak: Recorded vote.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The motion is lost.

We'll move to motion number 3, in Mr. Prue's name. Comment?

Mr. Prue: This is a package on how to get to the position of the previous motion that I just voted for and where the government finds the revenues. There is sufficient money out there; you just have to know where to look and you have to be willing to take it. All this lines up how you can find \$4.75 billion, with which a great many things could be done. You could upload the download in its entirety, \$3.3 billion. You could increase welfare rates. You could get ride of the clawback. You

could do just about anything if you had \$4.75 billion. You could run a balanced budget.

Here's where you get it, at least where we think you can get it: \$1.5 billion from higher tax rates on individual incomes over \$100,000. That simply has to go back to the two provisions that were taken away during the Mike Harris years: the surtax at \$100,000 and the double surtax at \$150,000. That is about \$1.5 billion. There's \$2 billion from returning corporate tax rates to where they were in 2000 before you took office. There's \$750 million from closing the loopholes in the employer health tax benefiting large corporations. And there's \$500 million, or half a billion dollars, for increasing tobacco taxes by \$10 a carton, which won't even take us anywhere near the top of the average in Canada. We're now second-lowest; only Quebec has lower ones. If you're serious about getting rid of smoking, I can't think of anything that will do more to get rid of it after May 31 than that.

There's \$4.75 billion, and I leave it to you: Do you want the money? It's very simple.

Mr. Hudak: I'm very pleased to see my colleague Mr. Prue putting options on the floor, because he and I agree there are probably a series of options on how the finance minister, if he truly wanted to, could balance the budget, and should balance the budget, in 2006-07.

My view is that, opposed to raising taxes, the way is to control spending. I'll reiterate: The average program spending increase under the McGuinty government to date has been 8% per year. At the same time, the economy has grown at 4% a year. That kind of spending increase is simply not sustainable. But if they had made an effort to control spending or even met their projections in previous budgets, they would be showing a balanced budget this year, let alone hitting one in 2006-07.

While I support the principle of Mr. Prue wanting to see a balanced budget, I cannot agree that the way to do so is through greater tax increases.

Mr. Barrett: There is a concern. Maybe we hear more of this concern on our side of the fence, but over the last two and a half years people in Ontario have been hit by multiple tax increases—I certainly think of the McGuinty health tax—coupled with high energy costs that have accrued expenses to certainly rural and northern Ontario families, something in the order of an additional \$2,000 a year per family if you factor in electricity—energy costs like natural gas and the health tax.

Income taxes and the marginal tax rate have been identified as a problem. It's a problem for investment and prosperity, and high marginal tax rates on income do deter some people from working or doing that extra bit of overtime. I certainly know that when I was a member of a union and working in a factory, after a while you realized—this is at a time when the marginal income tax rate certainly wasn't as high as it is now—that it just wasn't worth working Saturdays or Sundays or on statutory holidays.

We did hear testimony, and clearly any thought of additional capital taxes is a disincentive to growth and a

disincentive to investment, investment in manufacturing, investment in improving plant or capital.

The Chair: Further comment? None indicated, I'll call for the vote. All in favour?

1610

Mr. Prue: Recorded vote.

The Chair: A recorded vote is requested.

Mr. Prue: As a matter of fact, just to save time, a recorded vote on all of them would be in order.

The Chair: Does the committee agree to a recorded vote in every circumstance? It does help the Chair and the clerk, I would admit.

Ayes

Prue.

Nays

Arthurs, Barrett, Hudak, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The motion is lost.

Now we move to motion 4, in Mr. Hudak's name. Comment?

Mr. Hudak: The infamous Dalton McGuinty health tax stands out as one of his greatest—sadly, of many—broken promises. We all remember that Dalton McGuinty looked into the TV camera and said that he wouldn't raise our taxes, meaning the taxes of Ontarians, but upon taking office, in his first budget, imposed a whopping new health tax on working families that could be up to an average of \$600 per annum on Ontario families, and even higher, depending on their income and if both the spouses work or not. Seniors have to pay this tax, and there's been great criticism brought forward as well about the lack of progressivity in this tax. Simply put, people are paying too much in taxes as it is. It's having a downward pressure on disposable income and spending, as we heard from the Retail Council of Canada.

We believe that, given the growth in revenue to the province, if the Minister of Finance would try to get spending under control as opposed to an 8% increase per annum, he would have the ability to incorporate into this upcoming 2006-07 budget a schedule to eliminate the McGuinty health tax. We don't necessarily mean the minister could eliminate it in one year, but we think it would be responsible of him to bring a schedule forward that would see it happen beginning in the 2006-07 budget. So the motion, in its essence, says that "The standing committee on finance and economic affairs recommends that the Minister of Finance incorporate into the 2006-07 budget a responsible plan to phase out the McGuinty Liberal health tax."

Mr. Barrett: On the introduction of the Liberal health tax, it became the largest tax increase in Ontario's history. It just added to one unfortunate situation: the impact of the marginal tax rate on those families where both spouses are working. We have very high tax rates

now, certainly in comparison to competing jurisdictions in the United States, and the higher marginal tax rate reflects not just higher personal rates, but also that the rates apply at lower levels of income than you see in the United States. Adding the health tax on top of that takes a bad situation and makes it worse. The other disturbing issue around the introduction of the new health tax was that at essentially the same time, the McGuinty government actually cut certain health care services. We know about optometry, chiropractic care and physiotherapy, and that's included in the motion.

Mr. Prue: I just have a question of the movers of the motion. I would support this if the intention is to replace the monies from some other source, i.e., the income tax system as the most logical one. However, if it is merely to get rid of \$2 billion from health, there's no way I could support that. I'm not sure of the intent of the motion. Is it to replace it with a progressive income tax, so that people who earn more, pay more, and people aren't paying \$600 simply because they're employed? Or is the intent to get rid of it altogether and cut \$2.4 billion from health? I'm certainly not going to vote for that.

The Chair: Comment?

Mr. Hudak: I'm pleased to respond to my colleague. I think we all know that there is no relationship between the health tax and health spending. Health spending goes up whatever level the McGuinty government wants to put it at, regardless of the health tax. It simply flows into the consolidated revenue fund. The notion that it's a health tax per se is a false one. It is simply just a name put on what is an ordinary increase in income taxes.

To answer his question, our intent as Progressive Conservatives is to lower the tax burden on working families, seniors and young people in the province of Ontario. So my intent would be that the minister bring forward a schedule to eliminate the health tax without bringing forward some competing proposal to increase taxes.

The Chair: Comment? None indicated, I'll call for the vote.

Ayes

Barrett, Hudak.

Nays

Arthurs, Marsales, McNeely, Mitchell, Prue, Wilkinson.

The Chair: The motion is lost.

Now we'll move to motion 5, in Mr. Hudak's name. Comment?

Mr. Hudak: This comes from a presentation in Kitchener that the committee enjoyed from the Ontario computer animation and special effects folks. It was in reference to the refundable tax credit. They had illustrated a couple of problems with it in terms of the time frame they used for eligibility for the tax credit. It was a

residency issue—anyway, I won't belabour the point—and other concerns that they had, and they called, more or less, for this tax credit to be reviewed and improved. I think we all support the tax credit. It has a significant impact on the economy and on this sector, and I'm pleased to have been part of a government that brought that forward. From time to time, it's important to review these tax measures to make sure they're capturing appropriately the goals of the industry to expand and create jobs.

What I would suggest is that "The standing committee on finance and economic affairs recommends that the Ministry of Finance improve the OCASE refundable tax credit"—again, OCASE is the Ontario computer animation and special effects refundable tax credit—"based on the advice of the animation sector and investors."

The Chair: Comment? Hearing none, a recorded vote.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The motion is lost.

I move to motion 6, in Mr. Hudak's name.

Mr. Hudak: We heard a lot at committee on the OMERS legislation; in particular, municipalities had some concerns, among others. I know this is found in another committee process and is now before the House; nonetheless, I thought the finance committee should reflect the advice that we did hear at committee. Municipalities have brought forward concerns that this could result in a 3% property tax hike on average, or a \$380-million bill. With a lack of counter figures from the government, these are the only numbers that are before us.

Therefore, I'm bringing forward a motion that reads, "The standing committee on finance and economic affairs recommends the Minister of Finance act to stop the implementation of this train wreck of a bill."

If some find the language a little colourful, as opposed to "train wreck" and "disaster" etc., we're willing to take friendly amendments.

Mr. Barrett: The Association of Municipalities of Ontario indicates that this legislation would result in a 3% property tax hike. I've certainly received letters of concern from both Haldimand county and Norfolk county down my way with respect to the projected increase in property taxes. It's particularly disturbing, because we now have some of the highest property taxes in the world as it is. Property tax is regressive. It's a regressive tax on households, because it's not related to the family income; it's a regressive tax on business. Again, property taxes can be a significant burden on small business, on farming, and put the province of Ontario at a competitive disadvantage.

Mr. Prue: The “be it resolved” I can vote for. I can’t necessarily agree with all of what is contained in the whereases, but I don’t think that’s the issue. If it’s the “be it resolved,” I believe that this bill is going to do far more damage than it’s going to do good. I saw the firefighters in eager anticipation yesterday; I talked to them. I know the police are pleased. But there’s a huge story in today’s Star about the paramedics, who are not at all happy. I just do not relish the thought of having 100,000 workers or more out there striking illegally. I understand why they are going that route, because they feel they have nothing else they can possibly do, but the level of their anger is huge and the ease with which this can be fixed—as I see it, there’s only one man standing in the way of fixing this, and I just wish the Premier would do the right thing.

I’m going to support this, notwithstanding that I don’t necessarily agree with the whereases.

1620

The Chair: Further comment? A recorded vote.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The motion is lost.

Number 7 is in Mr. Hudak’s name. Mr. Hudak, comment on number 7?

Mr. Hudak: This is lucky number 7. We haven’t had a great start on the first six, but I’m feeling good about lucky number 7.

We had a presentation from the Grape Growers of Ontario in Niagara Falls about their replant program. I know all members of the committee are well aware of the importance of the grape, tender fruit and tree fruit industries across the province. I know a number of the committee members’ ridings would be impacted positively by this replant program, whether it is grapes, apples, peaches or what have you. Certainly as a member proud to represent an important part of north Niagara, where you can find these products, I’m pleased to bring this motion forward, as recommended by the Grape Growers of Ontario:

“The standing committee on finance and economic affairs recommends that the Minister of Finance commit funding, within total plan program spending, to fully partner in the national replant program as promoted by the Grape Growers of Ontario.”

The Chair: Comment? A recorded vote.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The motion is lost.

We’ll now move to motion number 8, in the name of Mr. Prue. Comment?

Mr. Prue: This was one of our questions put forward to the minister today in question period, and I have to tell you, I found the response kind of bizarre. But in any event, the government promised to spend \$300 million on child care during the course of its mandate. So far, nothing has been spent. Any monies that have come forward have come via federal largesse and there has been nothing put forward in any budget by this government to date. This motion suggests that \$150 million of new provincial money might find its way into the budget. Certainly, we are very nervous as to what will happen with the federal program but, in the absence of any provincial money, any gains that have been made to date will dissolve.

Having said that, I’d move the motion.

The Chair: Comment? Hearing none, a recorded vote.

Ayes

Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The motion is lost.

Motion number 9, in the name of Mr. Hudak. Comment?

Mr. Hudak: I thought this was a very effective presentation at the Niagara Falls hearings of the standing committee. It was presented by the Ontario Association of Residences Treating Youth, or OARTY. They informed committee members—I’m sure many committee members are well aware of their work. Many of these homes would be in our own ridings here at the committee. I know that some in fact are in Wellandport, my hometown.

I have high regard for the work that OARTY does. About 4,000 vulnerable children and youth have benefited from services provided by the agencies belonging to OARTY, and the group presented some data indicating that there would be substantial efficiencies gained by using what they called a levels-of-care funding model. There are two streams of services, if I understand correctly: Those that are transfer payment agencies of the ministry and those that belong to OARTY or a similar organization, where they get a per diem as opposed to a larger block sum through a transfer payment.

What I am putting on the floor is that “The standing committee on finance and economic affairs recommends that the Minister of Finance investigate a levels-of-care funding model as presented by OARTY to target funds at services to children and adult residences and encourage administrative efficiencies.”

The Chair: Comment?

Mr. Hudak: If nobody else wants to, I did want to say, too, that this motion is not necessarily calling for a change in the way the funding envelope works; it is

simply asking the minister to investigate whether it would be a better funding model or not. If the minister investigates and finds that the existing model is better, that's his or her right to decide, but I think we could put forward to the minister at least this basic recommendation that he investigate OARTY's suggestion.

The Chair: Comment? Recorded vote.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The motion is lost.

Motion number 10, in the name of Mr. Prue.

Mr. Prue: This is a motion that, again, I've tried every which way—Legislature, speeches, questions to the minister—and now I'll try it in committee. The one single thing that this government can do to end child poverty, the biggest thing you can do, is to get rid of the national child benefit clawback. This is asking that you do so, and, at the same time, that you not again leave out those people on general welfare or on ODSP and that you have an increase of 3%. If you do that, it will put them back in the same position that they inherited at the time your government got to power. They'll be no better off, but they won't be any worse off than they were under the Conservatives. Both of those in total would cost you \$300 million, and I can't think of any money that you could possibly spend better than that.

The Chair: Comments?

Mr. Barrett: Just a comment on part of this motion. I know this has come up in previous years with respect to the finance committee and the situation of people who are on ODSP. I think Mr. O'Toole, who also sits on this committee, would concur. In the past, we have favoured an increase in the payment to those people who are receiving ODSP, but I can't really comment on the several other factors that are tied in with this.

The Chair: Comments? Hearing none, a recorded vote.

Ayes

Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The motion is lost.

Motion number 11 is in Mr. Hudak's name.

Mr. Hudak: This again stems from the Niagara Falls hearings, if I recall. The previous Minister of Finance, Mr. Sorbara, the member for Vaughan—King—Aurora, had brought forward in Bill 197, the Budget Measures

Act, an attractive measure that we've commented on favourably that would allow members of certain health professions to allow family members to become non-voting shareholders in the professional's corporation, be that a spouse or child of a certain age. I think at its core, this was to encourage doctors and other health care professionals to stay in the province by giving them this tax advantage. Publicly, Minister Sorbara had indicated that this would be available to doctors or dentists, but I believe through the bill we would be able to expand that to other health care professions, such as chiropractors, physiotherapists etc.

One important group that was left out of that act, because they fall under a different act than the Regulated Health Professions Act, was veterinarians. I think we should try to level the playing field here. I don't expect that the impact on the budget would be that large. I don't think there are too many other health care professionals beyond doctors and dentists who would have the impact level or the circumstances in their family to allow them to benefit from this to a great extent, but I think they want that opportunity in case it does exist.

What I'm suggesting via this motion is that "The standing committee on finance and economic affairs recommends that the Minister of Finance make the necessary legislative or regulatory changes to allow veterinarians, chiropractors and other regulated health professionals to similarly qualify for the health professionals' tax advantage as outlined in Bill 197, and that any cost implications be incorporated within total planned program spending."

The Chair: Comment?

1630

Mr. Prue: This is a question of equity. If you're going to give it to one group, I think you need to give it to all of them. The finance minister, I believe, did make a statement one day that he just was not aware that veterinarians were not covered. It seems to me that they should be covered and that if the tax advantage can go to one group of health care professionals, it should go to all of them, or it should go to none of them. But the decision has already been made for doctors and dentists. It was part of that package with the OMA to have labour peace; after all, they do have the best union in the province. I think it's only fair to extend it to the others. That's why we'll be supporting the motion.

The Chair: Comment? Recorded vote.

Ayes

Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The motion is lost.

Motion number 12.

Mr. Hudak: Maybe through you, Chair, or through the clerk, I know that sometimes we use some strong language in the “whereas” sections that members may or may not agree with from time to time. I’ve been putting motions on the floor by simply reading the last paragraph, which is, “The standing committee on finance and economic affairs recommends” etc. So when a vote is called, it’s simply on that paragraph as opposed to the whereases?

The Clerk of the Committee (Mr. Trevor Day): That’s correct.

Mr. Hudak: Okay. The Ontario SPCA was quite attentive—if I’m using the right adjective—and attended every one of our hearings, and I think made a very good central point. They had worked with the McGuinty government to create a review of the Ontario SPCA entitled the Grant Thornton report. My understanding is that the government received that report in February 2005.

Each of the presenters from the SPCA related increased costs of business, including those that were queried about this—no, I think it was the written presentation, actually, about the pit bull euthanasia legislation, which puts pressure on their costs as well. It seems sensible that if the ministry had worked with the Ontario SPCA to commission this report, and the report has been returned to the minister, it makes sense to actually act on that report.

I put on the floor that “The standing committee on finance and economic affairs recommends that the Minister of Finance act upon the Grant Thornton report, from within total planned program spending, and clearly indicate the amount of funding available and timelines for action.”

The Chair: Comment? Recorded vote.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: That motion is lost.

We’re now at motion number 13, in Mr. Prue’s name. Comment?

Mr. Prue: Lucky 13, here we go. This is simply to ask the Liberals to do even a better job with education. I’ve stood up in the House many times and commended you for two things: One is health care, for which I know you’re struggling, but you’re at least heading in the right direction, and the other one is in terms of education. The Rozanski report has not been fully implemented. This \$824 million in new funding would bring you in line with Rozanski and, I think, offer you an opportunity to say that you have succeeded in your goal of getting education back on track. I don’t want to leave it where it’s only partway done, and I will support you if you want to go the entire distance.

The Chair: Comment? Hearing none, recorded vote.

Ayes

Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The motion is lost.

Motion number 14, in Mr. Hudak’s name.

Mr. Hudak: We heard extensive comment from a variety of groups on what I would call the government’s misguided plan to close down the coal-fired plants in 2007 and Nanticoke in 2009. As a matter of fact, I believe it’s a commitment that Dalton McGuinty made knowing full well that he could not achieve it, and he continues to stick to it even though I believe that in his heart he knows it’s not achievable or wise. We already talked about the impact of the hydro policy on manufacturing job loss in the province of Ontario.

This was a focus in Sarnia and Atikokan. We heard about it in Timmins and other areas as well. It seems sensible that we should take up the advice we heard at the committee and investigate the opportunities of clean coal technology. When the OPA is doing its review, I think, as mandated under Bill 100—it’s mandated to do a review this fall of future energy supply—at the very least, it should investigate what opportunities there are for clean coal technology. My colleague Mr. Barrett has been a very strong proponent in this respect.

I’ll put the motion on the floor, which is that “The committee recommends that the Minister of Finance and the Ontario government and the Ontario Power Authority conduct a thorough and complete analysis of the feasibility of the use of clean coal technology for electricity production as is done in many provinces in Canada and many countries around the world.”

The Chair: Comment?

Mr. Prue: This is a hard one. I generally believe, almost universally, that coal as we use it is outdated. You cannot burn it without releasing huge amounts of carbon and other NOx and SOx into the environment—mercury too. But what intrigues me is that there is a process which I’ve only started to investigate called reverse osmosis, where the coal is heated and the gas is given off. It is the gas that is burnt and, through the reverse osmosis process—I’ve been told, anyway—it burns cleaner than natural gas. I would very much like to have the government look at that. If that’s what’s meant by clean coal technology, fine. If it means that you put some scrubbers on the top, I’m not going to vote for that because you’re still going to let too many NOx and SOx, mercury, dioxins and everything else into the atmosphere. So it’s a tough one.

Mr. Barrett: There’s no question the issue of coal plants predominated in many of the deputations. In a sense, it’s not so much the issue of the particular fuel that is being used to produce electricity; the importance is

what's coming out the top of the stack with respect to emissions. For that reason, some of the testimony did direct us to consider clean technology or clean air technology, regardless of the type of fuel. We certainly heard that if we take it beyond emissions or beyond pollution and just look at carbon dioxide content and its relationship to climate change, natural gas itself has carbon dioxide production equivalent to about half of what you would get from burning coal.

The focus, I feel, in any decisions on this is not so much the fuel but the emissions. The technology is there. There was mention made of the scrubbers, which are at the existing Lambton plant, a plant that rates fourth or fifth cleanest out of hundreds of plants in North America. As far as sulphur is concerned, there is low-sulphur coal available from Powder River basin in the west. With respect to NO_x, or nitrogen oxide, the selective catalytic reduction units eliminate that product. And the combination of both scrubbers and SCRs virtually eliminate mercury.

The Chair: Comment? Hearing none, a recorded vote.

Ayes

Barrett, Hudak.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The motion is lost.

Motion 15, in the name of Mr. Prue, I believe. No? Mr. Barrett.

Mr. Barrett: The motion is with respect to Atikokan OPG. We'll recall that this finance committee rolled into Atikokan for pre-budget hearings. Many deputants and people in the hall itself, people actually standing outside the building, made it clear to us that the last thing northwestern Ontario needed was the closure of one of their few remaining economic drivers, specifically that Atikokan OPG plant. The slated 2007 closure of Atikokan will further exacerbate the area's economic crisis. We certainly heard about the tough times in the forestry industry, particularly the pulp and paper industry, in that part of northern Ontario. Again, it would compound the tough economic times by eliminating a cost-effective source of energy. Certainly, in the northwest, pulp and paper in particular has been devastated. We were also told that closing the plant would cut Atikokan's population by 20%, and we were told that closing the plant would cut the tax base by 50%.

1640

The Chair: Comment? Hearing none, a recorded vote.

Ayes

Barrett, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The motion is lost.

I believe number 16 is also in Mr. Barrett's name.

Mr. Barrett: This motion is with respect to Thunder Bay OPG. We were given information on the situation with respect to the Thunder Bay plant, in part in the context of the increasingly high electricity prices in the north and the devastating impact that has on industrial production, and the holding back of new investment in mining and smelting. We certainly heard good news with respect to the mining industry in the north, in contrast to the forestry industry.

Again, the resultant higher costs by switching that plant to using natural gas, probably from the TransAlta pipeline, and the impact on new investment coupled with higher prices would have a resultant impact on municipal property taxes—the same as in Atikokan—employment and, by extension, community services. Specifically, we were told that by switching Thunder Bay to natural gas, the station would no longer be able to fill its current role in setting the electricity price for the region and offsetting operating costs for the CN main line and the Thunder Bay coal terminal. Again, jobs hang in the balance.

The Chair: Comment?

Mr. Prue: I supported the last motion, and I will support this one as well. I will not support the ones that follow. The rationale is quite simple: What's happening in northwestern Ontario should be of concern to everyone in the Legislature—the number of jobs that are being lost in pulp and paper, the number of jobs that are being lost in manufacturing, the towns that are being shut down. I was at the ROMA conference yesterday talking to some of the mayors from northern Ontario. They are extremely upset and depressed at what is happening in their rural and northern municipalities. The only thing that is going to keep some of those towns alive is the hope that there can be some cheaper form of energy and/or huge subsidies from the Ontario government. I don't think you want to go to the huge subsidies, so the only thing that is left is to try to provide some forms of cheaper energy. I wouldn't say this for southern Ontario, but I will say it for the north, that it needs to be done in the short term. So I would keep the coal-fired generating plants open.

I say that as well because the airshed from both of these plants does not blow onto any of the populated areas of Ontario. We're not looking at smog or NO_x or SO_x in any of the populated areas of Ontario, Quebec or even anywhere in the Maritimes. I know it's all one world and I know that it will eventually blow somewhere, but it will be dissipated at some point. Certainly, what is being produced there absolutely pales in comparison to what is being produced in probably just one coal-fired generating plant in the Midwest. So we have to put it into some kind of perspective.

I do not want to see Thunder Bay, Atikokan and all the towns in northwestern Ontario literally become ghost towns. So I'm going to support this motion, as I did the last one. I will not be supporting or giving the same rationale when it comes to the plants in southern Ontario.

The Chair: Comment? A recorded vote.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The motion is lost.

Motion 17, I believe, is also Mr. Barrett's.

Mr. Barrett: Yes. It relates to the Nanticoke coal-fired plant. This issue was raised by some of the Sarnia deputants. Clearly, Nanticoke is Ontario's largest-capacity plant. It's one of the largest coal-fuelled plants in North America and it's our third-largest energy producer. Last year, it covered 80% of the increase in demand across this province. We know it was slated to be closed next year. That target has been moved to 2009 by this government.

I think Mr. Prue made reference to the northern plants and the smaller size. We might not have this situation in Ontario if, for example, four plants had been built rather than one very large one in the Nanticoke area. The fact remains that it is the largest one. It is a sitting duck for scapegoating.

Locally, the stakes are very high. I can speak to that. It's in my riding and 620 people work there on a permanent basis. Each year, \$4.1 million is spent in goods and services in the area, the Brantford-Haldimand-Norfolk-Brant area, and Haldimand county accrues \$2.8 million in tax payments each year. Again, much lies in the balance should this plant be closed in the year 2009. I'm sure there were some good reasons not to close it next year, and I just ask that some of those good reasons be kept in the decision-making mix. I decided on this one just to focus on the local impact on a rural area that has seen its farm economy pretty well hit bottom.

The Chair: Comment? Hearing none, recorded vote.

Ayes

Barrett, Hudak.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson, Prue.

The Chair: The motion is lost.

We'll move to motion 18. It's also in the name of Mr. Barrett.

Mr. Barrett: It's with respect to the Sarnia-Lambton Ontario Power Generation station. We heard the environmental scan, if you will, the context; for example, reference made to the impact of the very recently passed spills bill that, coupled with high energy costs and high taxation costs, has meant very little new investment in Sarnia's Chemical Valley. We were told that the chemical industry along the St. Clair River is the second-highest manufacturing sector in Ontario's economy. I mention that in the context of the thousands of manu-

facturing jobs that we are presently losing in the province of Ontario.

A new natural gas is planned to replace Lambton's coal generator. The target is to shut it down next year and that sends up some red flags, given the evidence we received on this committee with respect to dwindling supplies of natural gas. Economics kicks in. As the supply goes down, the price goes up, even if demand were to remain constant.

We were told, I think by the CAE Alliance in Sarnia, Carol Chudy, who quoted a number of estimates of sustainable natural gas supply being available up to maybe the next eight or nine years. The CAE Alliance—that's Clean Affordable Energy Alliance—told us that coal plants can be retrofitted with existing technology to reduce emissions by an aggregate of 80% for about 20% of the cost of shutting down a plant. They present their options to running natural gas through that plant, leaving us with an environment where there are three or four Detroit Edison coal-burning plants right across the river and we remain in their airshed.

1650

The Chair: Comment? Hearing none, a recorded vote.

Ayes

Barrett.

Nays

Arthurs, Marsales, McNeely, Mitchell, Prue, Wilkinson.

The Chair: The motion is lost.

Motion 19 is in the name of Mr. Prue. Comment, Mr. Prue?

Mr. Prue: This is to bring back the Energy Star appliance rebate program, which would be the PST rebate. I'm not sure how much it would cost in terms of monies lost to the Treasury, but I will tell you that if people went out and bought Energy Star appliances in terms of freezers, refrigerators, air conditioners and the whole range, the demands on the electricity system would go down intensely.

In my own case, I just bought a dishwasher. Even though my old one was still working, I went out and bought a new one because the amount of electricity it uses is less than half what the old one used. We're all trying to do our bit. I paid the PST because that's the law, but it would have been an even bigger incentive for me and for people like me to see that PST rebate come back.

If you want to know, all the consternation, all the people upset about the coal-fired generation shutting down, nuclear being built and the gas-powered generator down on the Toronto harbour—a lot of this would not be necessary if we can get into a conservation mode. It seems to be that the 8% that would be rebated would, in the long run, be good for the province, for the environment and for our peaking electricity problems.

Mr. Wayne Arthurs (Pickering-Ajax-Uxbridge): I agree with the member's comments about finding a

means by which we can empower the consumer in some fashion to drive energy efficiency, drive the conservation agenda, whether at the end of the day the incentive becomes one of the PST or something else the minister might look at. Obviously, energy is fundamental to Ontario at this point. I am prepared to support the motion as put forward by the member.

Mr. John Wilkinson (Perth—Middlesex): Specifically to my friend's suggestion, it's very important that if we incent this behaviour without documented proof, as they do in many other jurisdictions, the old energy hog is taken off the grid—you have to have both sides. We need the incentive but we also need the proof that those things are being taken out. Just having an incentive for new appliances doesn't necessarily reduce the power demand, an example of that being the beer fridge. When the old fridge goes out of the house and into the garage, then you don't actually get any reduction in price. People use that for convenience. The state of Utah has done a presentation for us on the conservation action team, a wonderful plan, of being able to do that.

I commend my friend for bringing this forward.

Mr. Barrett: I certainly am in favour of bringing back the PST rebate for the purchase of Energy Star appliances. In making that motion, I think there was a concern about what it would cost, but in the big picture it does enable consumers like myself—I actually replaced the pop fridge in our garage; no, I guess we replaced a freezer, come to think of it, with a brand new freezer. The other one quit. I wasn't going to buy one until it quit and I wasn't going to keep the old one.

As far as what it costs is concerned, in the bigger picture, when people like myself get a tax break like this, it is that incentive to go out and purchase some of the big white goods. That's obviously good for that retail sector of our economy. More product is wholesaled and retailed. People who are in that business pay taxes. It's essentially all to the good, plus it enables us to keep our food frozen or wash our dishes or our clothes using less energy.

The Chair: Comment? Recorded vote.

Ayes

Arthurs, Barrett, Marsales, McNeely, Mitchell, Prue, Wilkinson.

The Chair: The motion is carried.

We'll move to number 20, Mr. Hudak's motion. Mr. Barrett?

Mr. Barrett: I'll read this just in part, on behalf of Mr. Hudak. He makes reference to antiquated and cumbersome Liquor Licence Act legislation. The motion is:

"The standing committee on finance and economic affairs recommends the Minister of Finance act on those favourable aspects of the BASRP report that will modernize the LLA and encourage growth in the tourism, hospitality and domestic wine, beer and spirits industries."

I'm in favour of this motion. I would ask that if this is implemented it be done in a responsible way that takes into consideration the existing control function of our—I shouldn't say "liquor"—alcohol licensing legislation.

The Chair: Further comment? Recorded vote.

Ayes

Barrett.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The motion is lost.

Motion number 21, I believe, is in Mr. Prue's name.

Mr. Prue: This is just trying to get some more nurses. This was part of the government's statement of objectives coming in from the last election, that we needed 8,000 new nurses. This is sufficient funds to hire 3,000 nurses in this fiscal year so that you can stay on track, or actually get close to being on track, to meet the commitment that you made to the people of Ontario. It will cost \$150 million. We just like to help you.

The Chair: Comment?

Mr. Barrett: There's no question we do have a nursing shortage and an ever-increasingly developing nursing shortage. According to the Registered Nurses Association of Ontario, the rate of new registered nurses working in Ontario is not keeping pace with the province's population growth, and as we know from demographics, that is a population that is also growing in age. This is also a concern in certain areas in northern Ontario and rural Ontario.

The Chair: Further comment? Hearing none, recorded vote.

Ayes

Barrett, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The motion is lost.

Number 22 is also in Mr. Prue's name.

Mr. Prue: The same thing again. This is a proposal which has come up in the Legislature before, one that I think the government would generally be favourable to. It's \$40 million for a new provincial public health laboratory and \$45 million for the establishment of a new public health agency, and for it to be done in this year's budget.

The Chair: Comment? Hearing none, recorded vote.

Ayes

Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The motion is lost.

Number 23 is also in Mr. Prue's motion.

Mr. Prue: This is, again, trying to help the Liberals with their 2003 provincial election campaign promise of a \$6,000 increase in care for every resident of long-term care in Ontario. They are \$300 million short towards the goal; therefore, we were asking for a meaningful step in this direction, for the operating increase of \$200 million, which will again get them back on track.

The Chair: Comment?

Mr. Barrett: I'll just comment. I mentioned the aging population. We know that the population of those aged 65 and over is going to more than double, from 12.8% last year to 22.2% in the year 2031. Similarly, those aged 75 and over will also double, from 5.9% last year to over 10% in the year 2031. I don't have a lot of analysis on the details of this particular motion.

1700

The Chair: Further comment? Hearing none, recorded vote.

Ayes

Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The motion is lost.

Number 24 is in the name of Mr. Hudak.

Mr. Hudak: My apologies. I had to step out. I was speaking in the House, so I'm sorry I didn't participate in the earlier motions, but I anticipate there was lively debate about them.

Insulin pumps: We had an excellent presentation by the Ontario Diabetes Action Partnership. In fact, I believe the presenter hailed from Burlington or that neighbourhood, and she made the trip all the way to Atikokan in order to meet with the committee and to make her case.

Some of the points that ODAP, the Ontario Diabetes Action Partnership, brought up were that there are 1,625 Ontario children with type 1 diabetes who could benefit from an insulin pump, but are unable to afford them out of their own pockets. It think it was in their backgrounder and also in response to questions from the committee that she indicated that other countries such as Sweden, Germany, Holland, France, the Czech Republic and Norway fully fund the insulin pump used for children, and some other countries such as the United States and United Kingdom provide at least some public funding for insulin pump use in adults and children.

I think if we do support this motion, particularly unanimously—I know that the current finance minister brought forward a similar private member's bill in 2003 as an opposition member, then called Bill 76, and our colleague from Thunder Bay—Superior North has Bill 15 of a similar nature before the Legislature. So we do have two very important members of the Liberal caucus, the

caucus chair and the finance minister, who have indicated support for this measure.

Therefore, I put on the floor that "The standing committee on finance and economic affairs recommends that the Minister of Finance provide funding for the use of insulin pumps for the people of Ontario who need them."

The Chair: Comment?

Ms. Judy Marsales (Hamilton West): I'd like to speak in favour of this motion. We've heard a lot of dissertations on this particular issue, and I think there's good evidence to suggest that it would be in the best interests of Ontario citizens.

The Chair: Comment? Hearing none, recorded vote.

Ayes

Arthurs, Barrett, Hudak, Marsales, McNeely, Mitchell, Prue, Wilkinson.

The Chair: Carried.

Now before us is motion number 25, Mr. Prue.

Mr. Prue: If there was one recurrent theme we heard from every single municipal politician or any of those who were involved in municipal life, it was to upload the download, and that's what this is. This is a request to upload the download and to have at least \$300 million as the first step. That's about one eleventh of those matters which are downloaded. There's about \$3.3 billion. This is about 9%. If it was done in the first year, that would, I guess, help some of the municipalities somewhat.

It is estimated that to take, as an example, welfare or housing off of the municipal load, would literally for the city of Toronto solve the problem alone. The mayor and the budget chief are going to come, walk up the street tomorrow to meet with the Premier and staff. This action alone, getting rid of welfare payments and the responsibility of the municipalities to pay them, would get rid of the city of Toronto's budget woes, as well as Mississauga, Hamilton, Ottawa and all the municipalities across Ontario. We heard it from AMO and Roger Andersen, we heard it from mayors and reeves and every single person who talked to us, that if there was one thing that we could do to help municipalities, it would be to upload the download. This is very doable at 9% of the download in this coming budget.

Mr. Arthurs: I'm not sure whether the numbers are right or wrong, but certainly the government is taking some actions. Uploading public health is one of those initiatives. We clearly heard from the municipalities about all of the downloads, quite frankly. They particularly ended up focusing some attention at the end of day on the download of land ambulances. There was a clear agreement at that point to have a particular percentage direct sharing. I think every municipality in AMO expressed the desire to see this rectified, among other things, but this was one that they would put a number on more readily in clear agreement. Although I'm not convinced that the number is right or wrong, I think providing some recommendation to the minister on the uploading needs, in light of current government action as

well, would not be inappropriate, and I support the motion accordingly.

Mr. Barrett: We would agree that a review of fair funding for provincially mandated services is certainly overdue. Municipalities must be able to depend on the provincial government to pay its fair share. In northern and rural Ontario, a one-size-fits-all formula with respect to these kinds of transfer payments really fails those areas and does not take into consideration extraordinary expenses, especially, for example, if a municipality is trying to catch up with respect to ambulance service.

We know this government replaced the original CRF, the community reinvestment fund, with the Ontario municipal partnership fund, the OMPF, in March 2005. AMO did note that the OMPF allocation is an arbitrary amount determined by provincial funding priorities, rather than an amount based on municipal need or the ability of municipalities to foot the bill. They did point out that the OMPF funding model at present distributes less funding than the previous one would have been distributing if it had continued.

The Chair: Comment? Recorded vote.

Ayes

Arthurs, Marsales, Mitchell, Prue, Wilkinson.

The Chair: Carried.

Number 25, also in Mr. Prue's name.

Mr. Prue: That was 25.

The Chair: Oh, 26.

Mr. Prue: Okay, sorry. I just thought something happened there.

The Chair: It carried.

Mr. Prue: It's 26, if you want to carry that one right away, too.

This has to do with the gas tax, which I think is on track. I'm not sure whether it's going to be totally resolved this year, but we're asking for that, that it go right to the two cents. It will cost \$160 million. It would honour the 2003 election commitment for badly needed public transit. We know that, speaking of the city of Toronto—and I know that it's not the centre of the universe or the only place—the city of Toronto this year is receiving approximately \$180 million less from the province of Ontario than it did in the mid-1990s. The money that is received needs to go for capital works. Buses, streetcars, subways and other modes of transportation are getting in old and sometimes decrepit shape. This is just an opportunity to get the funding back up to more normal levels after they were drastically cut.

Mr. Arthurs: Certainly moving goods and people is fundamental to the economy of the province, particularly in those municipalities that have transit. If you can get people on buses, it frees up the road capacity as well to move goods more efficiently. I believe the government is on track, with a one-cent announcement in 2004-05; I think there was a further half-cent. To reinforce the need to get this completed I think would be appropriate, and I'm prepared to support the motion.

Mr. Phil McNeely (Ottawa—Orléans): I'd just like to say as well that it's nice to have the member jump on our policy, which is to have us go up to two cents in I believe it's October 2006. That's the direction we're going. It's an excellent program that is supporting public transit and making our cities sustainable. So it's a motion I will vote against, because I think it's already in other budgets and other programs and the two cents will be there in October 2006.

1710

Mr. Barrett: With respect to the allocation of the two-cent gas tax, in my meetings in much of rural Ontario I don't hear much about the need for public transit in the sense that there isn't any in so many of the areas. The bus service that did exist at one time on the provincial highways, much of that has gone by the way. In the last two and a half years, the average family in northern and rural Ontario paid an additional \$600 a year in gasoline costs. There really isn't much of an option in much of rural Ontario. OC Transpo does not go down to Winchester and the TTC doesn't go to Wingham. So it's a bit of a non-issue in much of rural and northern Ontario.

Mr. Prue: Just to answer that last part, the federal gas tax does give money that way and I don't think the province should be going in the same direction. Obviously, the smaller and rural communities are benefiting on a per capita basis, the same as large cities like Toronto, Hamilton and Ottawa, in terms of the five-cent federal gas tax.

Just on the comment about jumping on board a Liberal policy, I beg to differ. It was, first of all, put forward by the Federation of Canadian Municipalities. It was part of the plank of the NDP, although we said three cents. Not to outdo you, but one cent was to go for intermodal transportation, which has not been covered in this and which I think goes to what Mr. Barrett was saying. The one cent for intermodal transit was to be used for GO trains and buses, to interconnect communities, between one community and another. I would like to see—and I'm hoping to see at some time in the future—that money spent not only on transit but intermodal transportation as well, to get people between towns. As for the two cents, whether it was FCM or you or me, I'm just glad that it's happening.

Mr. McNeely: I'd like to correct the record. There is \$12 million going to rural municipalities in 2006, some of it connected with transportation for disabled communities. It is for transit, but it does apply to rural municipalities as well.

The Chair: Comment? Hearing none, a recorded vote.

Ayes

Arthurs, Marsales, Mitchell, Prue, Wilkinson.

Nays

McNeely.

The Chair: The motion is carried.

Motion 27 is in the name of Mr. Hudak. Mr. Barrett.

Mr. Barrett: It's a motion with respect to stopping out-of-control property assessment. As mentioned, many homeowners have experienced property assessment spikes in excess of 30%. Again, whether you're in a home or in a business, you need some degree of predictability. I'm not a municipal politician but so often the tax rate increase seems to be directly related to an assessment increase. It just raises the questions: Does our present system encourage the ability to create jobs and attract investment? Does it discourage the ability to create jobs and attract investment? Is it equitable? Is it as efficient as it should be, as well? This is one proposal to suggest a way to improve the system.

The Chair: Comment?

Mr. Prue: I think this is only asking the Minister of Finance to implement a plan. It doesn't tell him what the plan is; it only asks him to make a plan that makes it more transparent. There are several ways this can be done without limiting the options. We can go to a system that was never really implemented, with rolling five-year averages, and then you will not see the spikes that you saw in much of Ontario this past year, although I do not expect to see the same spike next year. Property values do not seem to be spiking to the same extent in many of the municipalities, especially on cottage properties.

The second thing that can be looked at is capping, which was done in many cities around commercial and industrial properties. They were capped. It's what's done in California and Florida, although I have to tell you, I would be wary about capping it too low, as California did, because they've created their own problems in terms of funding for education. They've gone from the top 10 down to the bottom two in terms of per capita funding because of the capped system. In any event, it is an option that needs to be looked at.

I will support the motion, because I think we need to make it more transparent for homeowners. We have to get away from the big spikes, year in, year out, because for every person who is finding their property going up 50% and 60% in one year, you would likewise have people seeing their properties go down in certain jurisdictions. You just can't plan, and I think that's why there's a lot of anger out there.

The Chair: Further comment? Hearing none, a recorded vote.

Ayes

Barrett, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The motion is lost.

Number 28 is Mr. Hudak's motion. Mr. Barrett.

Mr. Barrett: The motion on page 28, the property tax hikes by stealth: Again, making reference to 2006, property assessments in many communities spiked an average of 15% to 20%, or more. The gist of this motion essentially is to recommend that "the Minister of Finance immediately announce a reduction in the provincial education property tax rate...." It's something the province could do, bearing in mind that families across Ontario are subject to other tax increases: increases in user fees, new user fees, higher heating costs, increased electricity rates and other costs. The recommendation is a cut in the education property tax.

The Chair: Comment? Hearing none, a recorded vote.

Ayes

Barrett.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The motion is lost.

Number 29 is also in the name of Mr. Hudak. Mr. Barrett.

Mr. Barrett: This motion on page 29 is with reference to the Ontario municipal partnership fund. I won't repeat the comments I made previously. The recommendation proposed from this committee is that "the Minister of Finance act, within total planned program spending, to better support municipalities, with emphasis on rural and northern municipalities that have had their provincial funding cut under OMPF."

The Chair: Comment?

Mr. Prue: I just have a question. What troubles me a little here is "within the planned program spending." Whatever money was set aside, if you're going to give these municipalities more, then I would assume you're going to take it out of the municipalities that are already getting some money. They're going to get less. Is that what the intent is here?

Mr. Barrett: There's no question, when one sits on the finance committee—I could answer the question, if you wish.

The Chair: Yes, go ahead.

Mr. Prue: That's what I need to know before I can vote yes or no.

Mr. Barrett: Very clearly, we would have to make a decision with respect to the allocation of scarce resources. Oftentimes, it is a zero-sum game.

The Chair: Comment?

Mr. Wilkinson: Just for the record, there is no community in Ontario that is receiving less this year under OMPF than they received previously. So I can't support a motion that would solve a problem that doesn't exist.

The Chair: Comment? A recorded vote.

Ayes

Barrett.

Nays

Arthurs, Marsales, McNeely, Mitchell, Prue, Wilkinson.

The Chair: The motion is lost.

Number 30 is also in the name of Mr. Hudak.

Mr. Barrett: This motion is with respect to a report prepared by the Ministry of Finance in 2004 with respect to the provincial land tax, a concern in northern Ontario. That report is sitting on the shelf. The recommendation is how this will proceed and the request for time frames for reform in the upcoming budget. Again, the request is to adopt or implement anything that's worthwhile in this report.

1720

The Chair: Comment? Hearing none, recorded vote.

Ayes

Barrett, Prue.

Nays

Arthurs, Marsales, Mitchell, Wilkinson.

The Chair: The motion is lost.

Motion 31 is in the name of Mr. Prue. Comment?

Mr. Prue: This is just on housing. Today I asked a question in the House. It's about the number of people who are being evicted; I think the figure was 33,000 families. Primarily, those being evicted are those who cannot afford to pay the rent. They fall behind to such a point that they supplement from their food income. Then when there isn't enough with that, they finally find themselves one day unable to pay their rent. Not all of them are able to get a rent supplement, nor are they able to get the one-time loan to help them meet a one-time rent payment. We're seeing a lot of those families ending up on the street or finding themselves in really bad shape. This is to ask that there be 12,000 new rent supplements. This would cost \$53.4 million. This is hopeful that people who do not earn sufficient monies but who largely are employed would have an opportunity to not find themselves in this kind of travail.

The other one is 7,000 units of affordable housing at a cost of \$350 million. There has been virtually nothing spent in Ontario on affordable housing. All of the announcements to date have been federal dollars. The only thing that the province does, in a great many of the cases, is forego the PST on the building materials. That's it. Anything else that's done has been spread out over 20 years in which the province has to make the payments. That is encumbering not only this government but five future governments in a row to pay what I think should be done now. We are asking that there be \$350 million in this year's budget as the provincial portion to match in

part the federal dollars, and not to encumber five governments from now with that debt.

The Chair: Comment? Hearing none, recorded vote.

Ayes

Prue.

Nays

Arthurs, Marsales, Mitchell, Wilkinson.

The Chair: The motion is lost.

I'd just take a moment to remind the committee that we are doing approximately 10 of these motions every half-hour. We are deemed to sit tomorrow if need be, but we could—I'm in the hands of the committee—complete this today, depending on the length of comments and the wishes of the committee. We cannot sit past 6 today. So I just put that there for the committee to note.

Interjection.

The Chair: I just remind you of that.

Number 32 is in the name of Mr. Hudak. Mr. Barrett?

Mr. Barrett: We're all aware, certainly after our day in Atikokan, of the devastation in the pulp and paper industry and the forestry industry in that part of Ontario. Weyerhaeuser indicated that 14 pulp and paper mills are closed, with 3,000 direct job losses and a prediction of another 12 mills closing. This obviously impacts saw-mills and suppliers tied in with that value chain.

There is a report from the minister's council on forest industry competitiveness. The recommendation is that this government respond to the recommendations of the minister's council on forest industry competitiveness and, where warranted, provide adequate funding, again, from within total planned program spending.

The Chair: Comment?

Mr. Prue: Yes, it's the total program spending again. The forest industry talked primarily about two things that needed to be done. They couldn't do much about the high dollar, so they said we had to lower the energy cost—particularly in pulp production; not so much in plain board—and we had to help the forest industry with logging roads, paying the government's portion thereof. Both of those are going to cost money and cannot be done within the planned program spending.

I have some considerable difficulties. I want to support this motion, but to say you're not going to spend any money on it, or if you're going to spend the money you're going to take it out of something else within, I guess, natural resources' budget or wherever it would come from, I have a huge problem with that. I think the money needs to be spent. We need to protect the forest industry. If we can find millions upon millions of dollars for the auto industry in Ontario, we should be looking to find the same kinds of funds for the forest industry that impacts jobs throughout the north.

The Chair: Comment? Recorded vote.

Ayes

Barrett.

Nays

Arthurs, Marsales, McNeely, Mitchell, Prue, Wilkinson.

The Chair: The motion is lost.

Number 33 is in the name of Mr. Hudak.

Mr. Barrett: We heard good news with respect to the mining sector. Prospectors came forward and indicated their need for continued and improved geological mapping. They talk of the share program to support exploration. Again, this recommendation makes reference to “within total planned program spending,” not wanting to force this government to go over budget or to run a deficit this year.

The Chair: Comment?

Mr. Arthurs: It's my understanding that there's already been a commitment over three years to some \$15 million, particularly for this type of purpose. I think it's just reinforced to ensure that side goes forward, and I'm here to support the motion accordingly.

The Chair: Comment? Hearing none, recorded vote.**Ayes**

Arthurs, Barrett, Marsales, McNeely, Mitchell, Prue, Wilkinson.

The Chair: The motion has carried.

Number 34 is also in Mr. Hudak's name.

Mr. Barrett: This motion addresses the issue of the danger with respect to abandoned mines. There is a recommendation under the abandoned mines rehabilitation program. I don't have information on this legislation, but “work with concerned groups and individuals to develop supportive good Samaritan legislation, as recommended by” the Ontario Mining Association.

The Chair: Comment? Hearing none, recorded vote.**Ayes**

Barrett, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The motion is lost.

Number 35 is also in the name of Mr. Hudak.

Mr. Barrett: Why am I not surprised that Mr. Hudak would be putting forward a motion with respect to communities, including Grimsby, Lincoln, Pelham, Niagara-on-the-Lake, that have had their provincial grants simultaneously reduced by the government's new Ontario municipal partnership fund, while at the same time having their growth frozen by greenbelt legislation?

The Chair: Comment? Hearing none, recorded vote.**Ayes**

Barrett.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The committee is staring at me. I'm just making sure the clerk is ready to write all this down in between and get the recorded votes the way they should be.

Number 36 is also in the name of Mr. Hudak.

Mr. Barrett: This is with respect to the VQA designation and the fact that, like so many other agricultural commodities, there is tremendous competitive pressure from offshore or out-of-province competition. A KPMG study indicated that every bottle of Ontario wine adds \$4.29 in economic value. The input of economic value is 56 cents from imported wine.

I'll read the recommendation proposed for this committee to make to the Minister of Finance: “Add domestic economic benefits to its measures of success for the LCBO and incorporate growth in the Ontario VQA category as part of the LCBO business plan.”

1730

The Chair: Comment? Hearing none, recorded vote.**Ayes**

Barrett, McNeely, Prue.

Nays

Arthurs, Marsales, Mitchell, Wilkinson.

The Chair: The motion is lost.

Number 37 is also in Mr. Hudak's name.

Mr. Barrett: Mr. Hudak's motion makes reference to the Ontario culinary tourism strategy. It indicates that this has been well received and has strong and broad support within the industry. Challenges: border issues, lower disposable income in Ontario and declining American traffic. It is a call for dedication of “sufficient funds from within total planned program spending, to execute the Ontario culinary tourism strategy.”

The Chair: Comment?

Mr. Wilkinson: I would be remiss if I didn't put it on the record that we were the guests—I know the official opposition weren't there, they were otherwise engaged, but when we were out on committee, we stopped in my hometown of Stratford and had dinner at the Stratford Chefs School, which is a great example in this province of the culinary arts and the training of our future five-star chefs, as they have been doing for almost 25 years now. I have a special part in my heart, and perhaps my stomach as well, to support this. Whether my other colleagues can I'm not too sure, but I know that I will.

Mr. Barrett: When I said execute the strategy, I certainly didn't mean terminate the strategy. I meant to

move it forward. I want to be clear so we know how to vote.

Mr. Arthurs: I enjoyed it immensely, both the tourist part and the culinary part. Having said that, I have to say, in the context of this motion, that dedication of "sufficient funds" leaves me absolutely no idea what we might be talking about, and similarly as to "within ... planned program spending." I just don't see that at this point I could support the motion in the fashion before us.

Mr. Prue: I'm going to support this because I don't think it's a lot of money; I don't think we're going to be robbing Peter to pay Paul here. I don't usually like flat-lining and just saying, "We're going to add a new program, and everybody else is going to suffer as a result," but I don't imagine that this is going to cost a great deal of money in the overall scheme of the ministry or the budget. Notwithstanding "within total planned program spending," I'm going to support it because it's one of the most innovative programs we have here in Ontario. I would agree with Mr. Wilkinson that the culinary school in Stratford was first-rate.

The Chair: Comment? Hearing none, recorded vote.

Ayes

Barrett, Prue, Wilkinson.

Nays

Arthurs, Marsales, McNeely, Mitchell.

The Chair: The motion is lost.

Number 38 is also in Mr. Hudak's name.

Mr. Barrett: The motion addresses the proposal for a passport or border security card to enter the United States, with an estimated 12% reduction in tourism spending in Ontario. You wouldn't know it yesterday in Niagara Falls. I guess today's an American holiday, and there were certainly lots of US tourists yesterday in that part of the border. But the hospitality industry has been hard hit with higher utility bills and taxes and a reduction in disposable income of consumers.

The recommendation here—I would like to read it, Chair—is "the Minister of Finance and the McGuinty government work aggressively with the national and state governments of the USA and the Canadian federal government to eliminate this spending requirement or, failing that, implement measures to mitigate the negative impact this policy will have on the tourism and hospitality sectors."

The Chair: Comment? Hearing none, recorded vote.

Ayes

Barrett, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The motion is lost. Number 39 is in the name of Mr. Prue.

Mr. Prue: This again goes back to the Rae recommendations for 2006-07. We are asking that the government continue the freeze on all regulated and deregulated college and university programs, and to compensate. This would cost approximately \$635 million, and \$300 million in capital funding, for a total of \$935 million, and would be a very meaningful step in implementing the Rae report recommendations. I know that many college and university students are waiting on tenterhooks, wondering what is going to be contained within this budget and whether or not the freeze they've seen in the last couple of years will be maintained.

This is requesting that it is in fact maintained and that the Rae recommendations be implemented.

The Chair: Comment? Hearing none, a recorded vote.

Ayes

Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The motion is lost. Number 40 is in Mr. Hudak's name.

Mr. Hudak: Thank you very much, Chair. I'm pleased to re-enter the debate. I apologize that I didn't have the chance to introduce all my motions. Did we have a winner on the culinary tourism strategy? We had a supportive vote?

Mr. Wilkinson: I supported it.

Mr. Hudak: Excellent. I thank the member from Perth-Middlesex for the support. I know he's a strong component of tourism and hospitality in his area. He has a lot to brag about.

Mr. Prue: It lost 4-3, though.

Mr. Hudak: We didn't; really? Can we revote on that? Maybe I'll alter that one slightly. Debbie and I always enjoy visiting Stratford. The Old Prune restaurant was one of our favourites that we visited before. There's no doubt that Stratford would be a very worthy candidate for some funding from that program if it were to be funded by the Minister of Finance.

I'm sorry, Chair. I got away from number 40 for a second there.

The mid-peninsula corridor is a very important investment, not only in Niagara; it will benefit Haldimand county, Norfolk county, Hamilton and the western GTA. Basically it's a new highway most likely through the south and the western part of Niagara that would be a major artery to pump investment, trade, tourism, and improve safe travel as well.

In 2001 the former Minister of Transportation, Brad Clark, had commissioned and received a study, a needs assessment, that clearly demonstrated that there was a need for the new highway. We had anticipated that the

next step would be to submit the environmental assessment and then the highway would move forward.

Unfortunately, the mid-peninsula corridor has moved backwards, with the current Minister of Transportation effectively scrapping the previous work that had been done. He has started from square one and is in fact studying whether a new highway is even needed. Mr. Chair, that had already been completed in 2001, and as a result we've effectively lost five years needed for this highway in our area.

What I'll put on the floor is that the standing committee on finance and economic affairs recommends that the Minister of Finance commit sufficient funding from ReNew Ontario to accelerate the mid-peninsula corridor process and see it completed within a defined and accelerated time frame.

Mr. Barrett: I wish to comment on this proposed corridor, again from Buffalo-Fort Erie up, skirting south of Hamilton. In retrospect, I suppose the construction of the QEW along the base of the escarpment, between the Niagara Escarpment and Lake Ontario, was a mistake. It is unfortunate that that highway has been located, and has been there for decades, on some of the best and specialized fruit lands, fruit and vegetable orchard lands and vineyards, very unique soil types and microclimate. It is regrettable when you see the industrial growth and population growth on that that farmland.

This proposal moves a major corridor away from the Niagara Peninsula, certainly that section from Hamilton down towards St. Catharines and beyond, and runs it, as the name suggests, mid-pen, roughly between Lake Erie and Lake Ontario, on farmland. A lot of it is very good farmland but it's not the kind of specialized orchard and vineyard fruit land that we have at the base of the escarpment.

1740

As with any four-lane highway, we certainly saw this with the 403 expansion from Hamilton across towards Woodstock. It became a tremendous boon for the city of Brantford, a city that really had been sleeping for 50 or 60 years. I certainly saw evidence of that in my area. As Mr. Hudak indicated, it does boost a county like Haldimand. One indication of the economic status of Haldimand county: The population five years ago was identical to what it was 100 years previously. There was obviously no economic growth based on population growth—not that I'm a big fan of population growth, but it would benefit that part of Haldimand county, and certainly that part of mid-Niagara that does not have the specialized agricultural land that has served this province so well.

If this proposal were to move forward a little more aggressively—in fact, I wrote a letter to Minister Takhar about this today—it's very important that, obviously, the environmental assessment and the planning is there, and the linkages. I can speak for my area: It is important for an adequate linkage from the Dunnville area to this particular corridor, and it can only benefit the Highway 6 corridor, which does need improvement. That's the route

that runs steel back and forth between Hamilton and Niagara.

Ms. Marsales: In theory, I would support the mid-peninsula corridor as well as the concept of a transportation plan for the Hamilton area. I think we've been talking about this for a while. However, I could not support the language of this particular amendment, so I will not be supporting the motion.

The Chair: Comment?

Mr. Hudak: Thanks, Chair. I'm willing to amend the language if the member so chose. I did leave it pretty general. I didn't give a particular year. Obviously, the sooner the better, from my perspective. I did want to give the Minister of Finance enough flexibility, but I did want to see at least some funding committed to accelerating the process. I used ReNew Ontario because I thought that was sort of the capital plan of government. That's why ReNew Ontario specifically is mentioned. But I'd be willing to change the amendment if it helps to get it passed as advice to the minister.

Mr. Barrett: Chair, I am also amenable to any amendments from this standing committee. I do have one particular amendment that I would like to make to this motion. It's merely one word that would be inserted after "Haldimand," and the word would be "Brant." There are identifiable benefits to Brant county, because the committee is—

The Chair: The committee is only considering the last paragraph.

Mr. Barrett: Oh, for amendments.

The Chair: No, for the report, for the recommendation to the minister. The "whereases" are not included. It's just the—

Mr. Barrett: Yes. I see. My purpose for that is because it skirts the northern boundary of Brant county and at some point would link up with or cross that new 403. It's a bit of an oversight. It would have significant benefits for the northern part of Brant county.

Mr. Prue: I must profess my ignorance on this, but has a full environmental assessment been done of this proposed highway?

Mr. Hudak: That would indeed be the next step of the process, but we're not even at that stage yet. There are still consultations on the terms of reference for the EA, and I believe I'm correct to say that there are no deadlines or clear targets as to when that process will be completed. We do believe that—and there is always the intent to have an environment assessment, but the problem is that it has been a very, very slow process to get to that place.

Mr. Prue: So what is taking place, then—the sufficient funding—would be to do an environmental process, not to build the highway.

Mr. Hudak: I appreciate the member's comments. I left it open. Obviously, I want to see the highway go ahead. You may remember that the previous government scoped environmental assessment to move this forward more quickly. The current government has said that they wanted to do what they call a full EA, as opposed to the

scoped process. What I wanted to do here was just to indicate that we want the process to be speeded up. Whatever process the government takes, let's get on with it.

Mr. Arthurs: I appreciate the words. The reality is—and I think Mr. Prue just addressed it—the absence of an EA. It won't be appropriate, from my perspective, to recommend to the minister the commitment of funds to a project that would effectively tie up monies that might be used elsewhere for other projects, in the absence of an EA on this particular project. I think the recommendation is not the right one, nor probably an appropriate one, for an EA to the Minister of Finance, so I won't be supporting it.

Mr. McNeely: I believe, just to support that, that it's an Ontario capital works project, and projects have to go through an environmental assessment and be approved by the Ministry of the Environment before any of the dollars are committed through ReNew Ontario, which has a one-year extension each year. The motion just doesn't make sense, in my opinion.

The Chair: Comment? Hearing none, recorded vote.

Ayes

Barrett, Hudak.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The motion is lost.

Motion number 41 is in the name of Mr. Hudak.

Mr. Hudak: I'm pleased to bring forward a very specific motion, but I think nonetheless an important motion, on behalf of the town of Fort Erie. Fort Erie, of course, is the municipality in which I was born and raised and called home most of my life. I do have to take a moment to give a great deal of credit to the town of Fort Erie, the Peace Bridge Authority and local businesses, including the truck and travel centre, that addressed a serious issue. For too long we've had backups along the QEW from trucks being processed on the American side; increased security on the American side post-911, which is no surprise, and we deal with it at all the borders. We had, sadly, a number of accidents, including a couple of fatalities, because of people coming around the bend on the Queen Elizabeth highway in Fort Erie and hitting the back end of some trucks that had been lined up.

For some time, the Ministry of Transportation has been looking at implementing a marshalling yard. Basically, the trucks would line up in this marshalling yard, they would queue and then be sent down the highway when the backlog had ended, therefore eradicating any concerns about lineups on the Queen Elizabeth Way. It was estimated at the time that the marshalling yard would probably cost in the neighbourhood of \$40 million to the Ministry of Transportation.

As I said, Fort Erie, the Peace Bridge Authority and local businesses, including the truck and travel centre, basically made up their own marshalling yard by doing pre-clearance of trucks off of the Gilmore Road exit. As a result, the Ministry of Transportation saved \$40 million. In return, the town of Fort Erie is asking the government to invest some of that money—not all of it, not even half of it, but roughly a quarter of it, in that neighbourhood—to improve the Gilmore Road overpass, the Bowen Road overpass nearby, and the road in between.

The increased truck traffic going into this marshalling yard, if you will, has created a safety hazard. Also, Fort Erie is looking at developing the land along that Bowen Road and Gilmore Road corridor. It has been cited in the Minister of Public Infrastructure Renewal's growth plans as a trade corridor, a place for growth. Therefore, I would put forward the following motion to help solve this issue:

"The standing committee on finance and economic affairs recommends that the Minister of Finance dedicate adequate funding from the ReNew Ontario program for the QEW, Gilmore Road improvements in 2006-07 and the QEW, Bowen Road interchange for 2009, as requested by the town of Fort Erie."

Again, that was at the Niagara Falls hearings.

1750

The Chair: Comment?

Mr. Prue: I'm going back to the same thing: Has an environmental assessment been done so that the ReNew Ontario program funding can be used?

Mr. Hudak: I appreciate the member's question. The reality is that the project has not moved forward at all because the town of Fort Erie simply cannot afford it. It does involve one of the Queen's highways.

I can't speak on behalf of the council of Fort Erie, but I do know them to be very responsible individuals. I would anticipate that they would fully participate in an environmental assessment if they were given the funds.

Mr. Prue: So that I can support this, with the concurrence of my friend, I wonder if I might delete the words "from the ReNew Ontario program," so that it would just say, "dedicate adequate funding for the QEW, Gilmore Road improvements...." If the intent is to start, I can see the merit in that. I just do not want to look at infrastructure funding when I know that there's going to have to be an environmental assessment first.

Mr. Hudak: If the member moves the amendment, I'm very pleased to support what I would consider a friendly amendment. I appreciate the member's caution. As I said, if an environmental assessment were deemed to be necessary by the MTO, I have no doubt that the town of Fort Erie would fully co-operate. They're responsible individuals on council; I think they just want to see these projects go forward. They do want to see some recognition of the work that they've already done to save the Ministry of Transportation some considerable funds and improve safety.

I do realize that this is a very local issue. It's important to us in the Niagara Peninsula. I can't expect members to know the details of this issue that I would as the local

member, but nonetheless, I'd be willing to amend to give that generality to make sure it was acceptable.

The Chair: Mr. Prue, have you amended the motion?

Mr. Prue: I did, provided it was concurred with, and he did. I didn't want to do something that was going to change the intent of his motion. I would simply delete, after "funding," the words "from the ReNew Ontario program" so that it will now read, "that the Minister of Finance dedicate adequate funding for the QEW, Gilmore Road improvements...." It could come from any line that is necessary, including environment.

The Chair: Comment on the amendment?

Mr. McNeely: I'd just like to suggest that this is the wrong place to be setting priorities for Ministry of Transportation projects and that what we're doing because of one project is jumping the queue. It's just strange that we're trying to set those priorities for transportation projects at this committee.

Mr. Hudak: I appreciate the parliamentary assistant to the Minister of Transportation's comments, but they did come forward to make this presentation as part of this process. I know they've similarly brought this forward to other interested ministries. I think they did make this proposal in good faith. I think it's a very sensible proposal and I do think that it's within our mandate to recommend these types of projects to the Minister of Finance for funding.

The Chair: Comment? Shall the amendment carry? Recorded vote.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The amendment is lost. Now we're back to the original motion. Recorded vote.

Ayes

Barrett, Hudak.

Nays

Arthurs, Marsales, McNeely, Mitchell, Wilkinson.

The Chair: The motion is lost.

I have some questions for the committee. Shall the report, including recommendations, carry? Carried.

Who shall sign off on the final copy of the draft? The Chair? Agreed? Carried.

Shall the report be translated? I think we have a House leader's—we're going to do that in two steps. Are we agreed to that? Agreed.

Shall the report be printed? Agreed.

Shall I present the report to the House and move the adoption of its recommendations? Agreed.

For the benefit of some committee members, a dissenting report needs to be in by Thursday at 4 p.m. We are adjourned.

The committee adjourned at 1755.

CONTENTS

Monday 20 February 2006

Pre-budget consultations F-417

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Chair / Président

Mr. Pat Hoy (Chatham–Kent Essex L)

Vice-Chair / Vice-Président

Mr. Phil McNeely (Ottawa–Orléans L)

Mr. Wayne Arthurs (Pickering–Ajax–Uxbridge L)

Mr. Toby Barrett (Haldimand–Norfolk–Brant PC)

Mr. Pat Hoy (Chatham–Kent Essex L)

Ms. Judy Marsales (Hamilton West / Hamilton-Ouest L)

Mr. Phil McNeely (Ottawa–Orléans L)

Mrs. Carol Mitchell (Huron–Bruce L)

Mr. John O'Toole (Durham PC)

Mr. Michael Prue (Beaches–East York / Beaches–York-Est ND)

Mr. John Wilkinson (Perth–Middlesex L)

Substitutions / Membres remplaçants

Mr. Tim Hudak (Erie–Lincoln PC)

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Research and Information Services



F-11

F-11

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Second Session, 38th Parliament

**Assemblée législative
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Deuxième session, 38^e législature

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(Hansard)**

Thursday 4 May 2006

**Journal
des débats
(Hansard)**

Jeudi 4 mai 2006

**Standing committee on
finance and economic affairs**

Budget Measures Act, 2006

**Comité permanent des finances
et des affaires économiques**

Loi de 2006
sur les mesures budgétaires



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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Thursday 4 May 2006

Jeudi 4 mai 2006

The committee met at 1001 in committee room 151.

COMMITTEE BUSINESS

The Chair (Mr. Pat Hoy): The standing committee on finance and economic affairs will now come to order. before we begin this morning's presentations, we have some housekeeping. We would need a motion on the committee procedures.

Mr. Wayne Arthurs (Pickering–Ajax–Uxbridge): I move that the standing committee on finance and economic affairs proceed as follows with respect to Bill 81, An Act to implement 2006 Budget measures and to enact, amend or repeal various Acts:

(1) That the clerk of the committee, in consultation with the Chair, be authorized to post notice of the committee's public hearings on the Ontario parliamentary channel and on the Internet prior to the adoption of this motion.

(2) That the deadline for receipt of requests to appear before the committee be 12 noon on Wednesday, May 3, 2006.

(3) That the clerk of the committee distribute to each of the three parties a list of those who have requested to appear by the deadline for receipt of requests.

(4) That each of the three parties supply the clerk of the committee with a prioritized list of the witnesses they would like to hear from by 1:30 p.m. on Wednesday, May 3, 2006. These witnesses must be selected from the original list distributed by the committee clerk.

(5) That the clerk of the committee, in consultation with the Chair, be authorized to schedule the witnesses.

(6) That the time allowed for presentations by witnesses be up to 10 minutes for groups and individuals, followed by up to five minutes for questioning by committee members.

(7) That the deadline for receipt of written submissions be 10 a.m. on Thursday, May 4, 2006.

(8) That the clerk of the committee, in consultation with the Chair, be authorized to commence making any preliminary arrangements to facilitate the committee's proceedings prior to the adoption of this motion.

The Chair: All in favour—

Mr. Michael Prue (Beaches–East York): I have something to say about it.

The Chair: A comment?

Mr. Prue: Just a comment, yes. I do not blame the committee, the subcommittee or anyone else that this is

the procedure. As everyone knows, this was a guillotine motion by the government to force committee hearings in giving us 24 hours' notice and allowing us only two hours to hear public deputations. Even in one day, far more people have applied to be heard on this issue than we can possibly hear. Although I am bound by the will of the Legislature, it needs to be said that what is happening here today is not fair.

The Chair: Thank you. Further comment? Hearing none, all in favour? Opposed? Carried.

Now we need the appointment of a subcommittee member to replace Mr. O'Toole. Do we have someone to make that motion?

Mr. Toby Barrett (Haldimand–Norfolk–Brant): I don't feel comfortable nominating myself. I don't know whether—

Interjection.

The Chair: We're seeking a motion to appoint a subcommittee member.

Mr. Prue: I will nominate Mr. Barrett.

The Chair: Mr Barrett has been nominated. All in favour? Carried.

Mr. Barrett: I wish to thank my nominator.

The Chair: Thank you very much.

BUDGET MEASURES ACT, 2006

LOI DE 2006

SUR LES MESURES BUDGÉTAIRES

Consideration of Bill 81, An Act to implement 2006 Budget measures and to enact, amend or repeal various Acts / Projet de loi 81, Loi mettant en oeuvre certaines mesures énoncées dans le Budget de 2006 et édictant, modifiant ou abrogeant diverses lois.

ASSOCIATION OF MUNICIPALITIES
OF ONTARIO

The Chair: Now we will begin this morning's presentations on Bill 81. The first presentation will come from the Association of Municipalities of Ontario. Thank you for your patience this morning. You have 10 minutes for your presentation. There may be up to five minutes of questions following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Ms. Ann Mulvale: Good morning, ladies and gentlemen. I am Ann Mulvale. I'm the mayor of the town of

Oakville and the past president of the Association of Municipalities of Ontario. Roger Anderson, our president, sends you his regrets. With the short notice, it was impossible to change his schedule. He is actually at the OSUM conference in Leamington.

AMO, as I believe you know, represents Ontario's municipal governments and advocates on behalf of those governments and the property taxpayers and the residents they represent. AMO's member municipal governments govern and provide key services to approximately 10 million Ontarians; approximately one in three Canadians. While each of Ontario's municipal governments is unique, the interests we share in common are greater than the differences that separate us.

I am pleased to be here on their behalf this morning to discuss Bill 81. I plan to comment, however, on only one aspect of the bill, focusing on Schedule H and proposed amendments to the Municipal Elections Act because of the importance of this matter to Ontario communities. AMO believes strongly that our association is very well-positioned to comment on terms of municipal councils, given both the nature of our membership and the outreach work we conducted in 2005 on this issue. Given this, we are thankful for the opportunity to share our perspective on Bill 81 with you.

AMO has advocated for the need to move from a three-year to a four-year municipal term of office out of principle. Our interest in this issue was sparked by the province's move to a fixed, four-year term under Bill 86, the Election Statute Law Amendment Act. AMO believed that by fixing the date of the elections, the province was moving to depoliticize the setting of election dates and to provide more certainty regarding the term of office.

AMO noted at that time that five of the 10 provinces currently have a four-year term for municipal councils. Indeed, in the province that most recently lengthened the term from three to four years—New Brunswick—the decision coincided with an inquiry into a fixed date for the provincial election. Nova Scotia lengthened the term of its municipal councils at the request of the Union of Nova Scotia Municipalities in 2000 because of projected cost savings and the enhanced ability of municipalities to plan for the future. Manitoba lengthened its municipal term of office from three to four years in 1998. Quebec and Newfoundland and Labrador also have four-year terms of office for municipal government.

In developing a formal position on this matter, the AMO board decided that it must consult each and every municipal government on such an important issue. In addition, an AMO advisory committee was created with the mandate to develop a survey, undertake its analysis, and provide the board with its best advice. The advisory committee drafted a survey with this and related questions which was sent to each and every member council in February 2005. The survey generated a strong response from the members and fairly consistent positions on most issues.

1010

The following are the specific results of the survey:

Lengthening the term of municipal council from three to four years was supported by 61% of respondents. The vast majority, 91%, of proponents believed this change should be implemented across the province.

Almost all respondents, 98%, preferred that school board elections continue to take place at the same time as municipal council elections.

The majority, 59%, preferred to maintain the election in November.

Oakville was one of the 47% who responded, and they had a survey to each member of council, which the clerk dealt with. It was formed into a report that went to standing committee and council, all of which of course are conducted in public, and the majority favoured a four-year term.

There was no noticeable split in the AMO survey between urban and rural or lower- and upper-tier municipal governments on any of the questions.

The advisory committee also consulted with the two main school board associations in the province as part of its deliberations. The Ontario Catholic School Trustees' Association stated, "A change to a four-year term is supported by the majority of the trustees who responded to our survey, including those on our association's board of directors." The Ontario Public School Boards' Association declined to comment at the time.

The AMO board endorsed the recommendations of the advisory committee in March 2005, and AMO's position was conveyed to the Minister of Municipal Affairs and Housing. AMO was very pleased with Premier McGuinty's announcement at the 2006 ROMA/OGRA conference that his government was committed to introducing a four-year term for municipal governments in Ontario, beginning with the next municipal election in 2006. Premier McGuinty said, "This is something AMO has asked the province to do—and we agree." He said, "As I see it, it's a matter of respect." He said, "We have fixed four-year terms at the provincial level—and federal terms can run a maximum of five years. Why should you"—municipal government—"be any different?"

Premier McGuinty also recognized that a four-year term simply made practical, good sense. He said, "A four-year term is the ideal period of time for a council to forge an agenda, implement it and then seek the people's judgement." I agree with Premier McGuinty in this matter. Municipal governments need the time to undertake long-term planning to build strong, vibrant, competitive and livable communities.

This government's respect for municipal government as an order of government puts Ontario in a position of leadership in this country. It may be useful to remember that it was a Progressive Conservative government that changed the two-year term to a three-year term, commencing in December 1982. The then Minister of Municipal Affairs indicated that the complexity of responsibilities faced by municipal governments had changed significantly, making the longer term appropriate.

Since 1982, many additional services have been downloaded—ambulance, provincial offences, a number of major roads and bridges etc.—from the province to municipalities. I know you're aware of those matters.

By renewing and building on the memorandum of understanding, first signed by the Progressive Conservative government in 2001, this government has demonstrated that it too understands that municipal governments are able, accountable and mature partners in building a strong and prosperous Ontario.

I have been in municipal government for many years, and I have had the opportunity to serve as president of AMO on two occasions. Much has changed in municipal government since I was first elected. The relationship of municipal governments to the province has seen some setbacks and many advances.

I was the president of AMO in 2001, when the Legislature passed a new Municipal Act for Ontario. It was a proud moment for the municipal sector, for AMO and for the government. It extended greater autonomy to municipal governments, including natural person powers. I probably do not need to remind many of you that there have been many detractors and a very lively debate in that process. Many feared that giving new powers to municipalities would result in a number of problems. But the legislation was passed, and none of those concerns ever materialized. The sky did not fall, and it is not falling today.

Municipal governments in the province have an important job to do. Large and small, urban and rural, north, south, east, and west—municipal governments fund and provide key services. Municipal governments ensure that our environment is protected, that our communities are safe from crime, that emergency services meet the challenges of a changing world, and that the sometimes-tattered social safety net saves the most vulnerable in our communities. We provide and fund municipal services, and we provide and fund over \$3 billion of provincial health and social services in our communities. The challenges faced by municipal governments are immense, complex and evolving.

However, by definition, municipal governments are the most open and accountable order of government in the country. Consequently, municipal governments are the most trusted order of government. I believe that a four-year term will allow municipal governments to better serve the people of our towns and cities; do a better job of building strong and sustainable communities; shore up the foundation of Ontario's and Canada's economy; and create opportunity for our youth and the new Canadians who, together with us, will continue to build our communities, this province and our nation.

I am not alone in my belief. It is shared by rural and urban municipal councils in all parts of this province. In fact, AMO's steering committee on this issue was led by representatives from Middlesex county, the town of Collingwood, the city of Sault Ste. Marie and the chair of ROMA, the Rural Ontario Municipal Association.

All municipal governments had an opportunity to participate in this important discussion. Many did, and

most said that Ontario's communities would be better served by four-year council terms. AMO strongly supports this position.

In conclusion, we want to see schedule H in force as soon as possible so Ontario's communities can begin to plan for the election and council term ahead. We believe it is imperative to move quickly to enact schedule H in order to provide certainty to the upcoming municipal election. Candidates and the voting public alike deserve to know what is involved in running for municipal office this fall.

Again, thank you very much for the opportunity to speak with you on this important issue. I wish you well with your deliberations today.

The Chair: Thank you for the presentation. This round of questioning will go to the official opposition.

Mr. Tim Hudak (Erie-Lincoln): Thank you, Your Worship, for the presentation. Chair, how much time do I have for questions, by the way?

The Chair: Five minutes.

Mr. Hudak: Just to the parliamentary assistant, I do want to note I'm a finance critic here for a finance bill, the budget bill, and what we have before us is something to do with municipal terms. It's definitely a democratic reform initiative. I find it rather strange—

Mr. Prue: Bizarre.

Mr. Hudak: It is bizarre, as my colleague says, to say the least, that this is buried deep inside a budget bill. Secondly, we didn't have a single member of the government come forward to describe why this is in the finance bill, to talk about why this was important, to defend the policy or to offer any comment whatsoever during the debate, in Hansard.

So the least I could do is ask the parliamentary assistant, who is parliamentary assistant for finance, ironically, to come back to committee with the government's justification for schedule H being part of the finance bill; indicate to us who they consulted with, aside from the AMO survey—and I appreciate your points about AMO's survey—when this move was made; and also, a survey of other jurisdictions in terms of how they approach a four-year term versus a three-year term. Do some provinces have a mixed model, for example? And I'd appreciate the American jurisdictional analysis too.

I think a fair time frame would be noon today. We've been forced to bring our amendments forward by noon today by a very strict time allocation motion. There's very little time for debate. So since the government has imposed this upon us, I'd also ask the committee to impose upon the parliamentary assistant to respond to my questions by noon today.

Again, thanks for the presentation. On the AMO survey, a couple of quick questions. How many municipalities responded to this survey?

Ms. Mulvale: It was 47%.

Mr. Hudak: And was it a council resolution or—

Ms. Mulvale: In Oakville's case, it was clearly a council resolution, because there was a report to a standing committee that went to council. It was a matter

of public record. So certainly there was a council confirming resolution on the response to the AMO survey. I cannot speak to the practices, you'll appreciate, for all municipalities. It depends on the cycle of meetings. There's a Municipal Act, as you know, and there are procedural bylaws.

Mr. Hudak: Sure.

Ms. Mulvale: Most procedural bylaws are very specific in how things are conveyed. Some clerks are given some empowerment to survey council. There may have been circulations. So other than Oakville's experience, I can't speak specifically.

1020

Mr. Hudak: I apologize if I missed this. Did AMO analyze in any sense a regional response? Was there a difference between small towns versus large cities versus—

Ms. Mulvale: I did allude to that in my presentation, that there was no perceivable conflict between—I read that into the record earlier. So they did look at it. Really, we look at the fact of the vastness of this province, just as within your caucus, with the people you represent within your constituency who may or may not have supported your particular party philosophy, there's always a range of opinion. I've certainly observed on the table—there were some municipalities that said they didn't support it. They're not disagreeing that they were given the survey opportunity, they're not disputing the figures from AMO.

Mr. Hudak: If councils are looking at similar issues, like changing ward boundaries and at-large elections versus ward elections, changes in pay or benefits of councillors, what's the typical process in terms of public consultation, or can you directly pass a bylaw?

Ms. Mulvale: Again, they can if they wish. My community tends to be very engaged on those issues. Because we have very active associations—residents, particular arts or environmental interests—we post our agendas on our website, and we know that people go to that website to review the agendas. So in terms of the individual councillor practices on that, they would be within the Municipal Act.

The Chair: Thank you for your presentation.

THREYEARS.CA

The Chair: I call on ThreeYears.ca to come forward, please.

Mr. Hudak: On a point of order, Chair: I'd just welcome the gentlemen from ThreeYears.ca., and welcome our colleague Mr. Gilchrist; it's always good to see him here as well. I know Guy Giorno was originally scheduled to be here, and he did send a letter for the committee. Did the clerk receive that letter?

The Chair: Yes.

Mr. Hudak: And it has been distributed to all members of the committee?

The Chair: Yes, it has been.

Mr. Hudak: Perfect. Thank you very much.

The Chair: Good morning, gentlemen. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourselves for the—

Mr. Arthurs: Mr Chair, on a point of order: Can I just have clarity on the deputants this morning, as to who is making the presentation from ThreeYears.ca, based on the submissions that we had in the selection of names?

The Chair: The question is?

Mr. Arthurs: We have Guy Giorno, Josh Matlow, Dave Meslin. Are they going to be with us this morning?

The Chair: We are to find that out. Gentlemen, you have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Josh Matlow: Thank you very much, Chair and committee, for allowing us to speak with you today. Obviously this seems to be an unlikely trio who would come together on a common issue. As you know, I'm a former Ontario Liberal candidate who ran against Premier Eves a few years back; Dave Meslin is a former NDP organizer and staffer; and, of course, Steve Gilchrist is a former Progressive Conservative minister.

The reason we're here today is because we have great concern over a number of issues with respect to putting an item that has such great import to the people of Ontario regarding our electoral process within a large, budget omnibus bill.

I recall, as a Liberal, that we used to rail against the Progressive Conservative government when they pulled stunts like this. I'd like to remind you that Dalton McGuinty, in 1999, said, "Ramming through bills without proper debate weakens our system of democracy." Dalton McGuinty also said, "'Public hearings'; those two words go together nicely if you believe in true democracy, if you recognize that public input is one of the tools that makes for good legislation and if you really believe in tools instead of the same old-fashioned Tory sledgehammer approach," with all due respect, "to legislation in Ontario."

The bottom line is that I'm also an elected school board trustee here in Toronto, and I believe that the voters are essentially our employers and we're their employees at the municipal, provincial and federal levels. If we want to change the terms of the contract they've given us, I believe that it's incumbent upon us as politicians to go back to the public and ask for their opinion: "Do you want us to meddle with the tools of democracy, with the electoral system?" If government is able to meddle with these tools, is able to change the very electoral system that we use without going to the public for consultation, without putting it as an item—its own legislation—so that there can be true and genuine debate on the floor of the House, then I believe it's the top of a slippery slope. That's why you're seeing members of three parties—activists—coming together on a common issue. We believe in local democracy, we believe in transparency and accountability, and we strongly urge the government to take this issue seriously.

As I conclude, I'd just like to remind this committee that Mayor Mulvale very clearly and very articulately said that this issue is of great importance to the people of Ontario. We agree with Mayor Mulvale. Therefore, this issue should go to public consultation and, at the very most, be a binding plebiscite at the next municipal ballot.

I'd like to allow Mr. Gilchrist to continue.

Mr. Steve Gilchrist: Thank you very much. There are myriad issues on which the three people sitting at this table would be quite vociferous opponents, I'm sure. But on the issue of accountability, we're reading from the same page.

Just as a bit of background, I was privileged to serve eight years as an MPP, to sit on well over 500 days of committee hearings and serve two and a half years as the parliamentary assistant and the Minister of Municipal Affairs and Housing. In all of those years, with all those meetings, face to face in this building and across the province of Ontario, not one councillor ever expressed an interest in expanding to four years. In fact, the only time the subject of term limits came up, and it didn't come up often, was from those who thought the province had made a mistake going to three years from two many years ago.

Perhaps it's no coincidence that with the increasing apathy and declining interest in municipal elections that have seen the voter turnout drop to below 30%, the trend started that same year that municipal councils were changed from two years to three. The voting turnout in 1982 was 54% across Ontario.

Perhaps the most damning statistic I can offer you here today comes, somewhat ironically, right from AMO's own website. In the last municipal election, fully 574 of the 2,268 council positions were acclaimed: 25%. In fact, there were 28 municipal councils where every single member was acclaimed. Not one voter had one choice on even one position. So I guess the suggestion is, we now want to make sure that acclamations run for four years instead of three years in that many cases.

The bottom line here is that the government itself has stated that there's a democratic deficit, that there needs to be democratic renewal. We couldn't agree more. It seems to us that finding ways to inspire increased voter attention, finding technologies that will encourage them to turn out and vote, finding issues that will challenge them and make sure they understand the significance of all levels of government is precisely what this government should be doing. I want to believe the Premier when he says he's serious about democratic renewal, but this is not the right way to do it.

The Toronto Star and the Toronto Sun agree—another remarkable occurrence—that the change to four years does nothing but restrict voter connection to their councillors. It further limits their ability to change when politicians do things that are unpopular or inappropriate.

Quite frankly, nothing short of putting this question before the voters of Ontario is an appropriate means of determining whether or not this passes the test of approval with the citizenry. Thank you. David?

Mr. Dave Meslin: Thank you very much. This week, I worked closely with Josh Matlow and Guy Giorno to draft an op-ed, build a website and launch a campaign. I can't think of many issues that would bring the three of us together, at least not on the same team. As a former NDP staffer at both city hall and Queen's Park, I found myself on the opposite side of many debates from Mr. Giorno. We disagree on just about everything. But one thing we have in common right now is a respect for the political process and an understanding that debate, dialogue and opportunities for civic engagement are what makes our system work.

When are these three experiences most likely to take place? At election time. For example, local debates between candidates provide an opportunity for citizens to hear what the issues are and to hold elected officials accountable to their record. Dialogue happens during an election. From the dinner table to the water cooler, people are talking politics. Levels of civic engagement are also highest during an election. From volunteers knocking on doors to talk to their neighbours about the issues to the act of voting itself, elections create an opportunity for everyone to take an active role in their community.

As a grassroots activist, I know the importance of having a community that is engaged in politics and engaged in the issues. This is the driving force behind all social change. It is what makes our democracy function, and elections are the catalyst that bring that to life. It's a rare sight to see a Tory, a Liberal and an NDPer working together on an op-ed. We are collaborating because we want to protect the institution that brings us together. Like hockey players from three teams coming together to prevent the season from being cut short, we too find that although we have strong allegiances to our teams, our real allegiance is to the game. If you're going to change the rules of the game, you need to talk to the fans first. That would require full public consultations on Bill 81. Thank you.

1030

The Chair: Thank you. That concludes your presentation?

Mr. Gilchrist: Yes, Mr. Chair.

The Chair: This round of questioning will go to the NDP and Mr. Prue.

Mr. Prue: Thank you very much and welcome, gentlemen. It's good to have all three of you here, three different views all combined and actually one view coming out.

I found out that this provision was hidden in the budget bill—and I'm the finance critic for the NDP—in preparing for my speech. I went through the bill and found it in schedule H. It was the first time I was aware that it was there. There was nothing in the ministerial announcement. There was nothing when the Liberals stood up to talk about the bill and why it needed to be passed. It was only in preparing my own speech that I found out. When did you find out that it was hidden there?

Mr. Meslin: Tuesday night?

Mr. Matlow: Something like that, yes.

Mr. Meslin: And it was an absolute fluke. It was stumbled upon, which really shocked me, because I'm no big fan of the Liberal Party, but I was impressed when Dalton McGuinty introduced the fixed terms right after the election and I thought, "Wow, there's a real commitment to democracy here." Now I see the complete opposite direction, and I feel let down.

Mr. Matlow: I too was shocked. I remember as a candidate, and as a Liberal activist before, we used to always speak out so strongly when the Tories used to behave this way, but now with kind of slipping this secretly into an omnibus bill and also with the time allocation, it is very disappointing and very surprising that this government is doing this.

Mr. Gilchrist: I guess I'm struck by the inconsistency. Again, Ms. Mulvale today—and I respect her very much, a long-serving mayor. If in fact she has her finger on the pulse of her community, then maybe we can take her at her word that this is a serious issue. If it is, then that would suggest, first off, that it should have been introduced as part of changes to the Municipal Elections Act, something the government has gone through, but in any event, even in an omnibus bill, it should have been mentioned as part of the compendium at the outset.

While, Mr. Prue, you and I had many heated discussions about omnibus bills and their content—

Mr. Prue: More than a few.

Mr. Gilchrist:—I can remember that the introductory notes would always touch on every single section. By reading the first two pages you at least knew every topic that was covered in that bill. I think this really does go against the Premier's own stated goal of improving accountability in this building and externally in the entities that the province oversees and controls.

Mr. Prue: Okay. Now, there are two things that I guess this committee might be able to do, although I wouldn't hold my breath. The first one is to ask that a ministerial question be put on the ballot in this upcoming election. The second one is simply to withdraw schedule H and just leave things the way they are. Which of those two would you prefer, or do you have a third option?

Mr. Matlow: I personally can say that I'm very happy to have this issue debated and discussed. Any issue that this government intends on articulating and believing in and wanting to push, they're welcome to do so. That's what governments are there to do. However, either it needs to be on the ballots or there needs to be genuine public consultation, and the government needs to be able to say why they're doing it. I haven't heard once why this government is actually moving in this direction. There hasn't been justification. However, I'm hearing from many people out there that they don't want this done. We just received a letter from the town of Hanover here in Ontario opposing this as well, so we're actually hearing from more and more municipalities that they are opposed to this. The bottom line is, we do need a discussion; we do need a debate. Most people haven't had the opportunity to really understand what this government intends to do.

Mr. Gilchrist: To suggest, Mr. Prue, that even the councillors and school board trustees across this province are even aware of the content of this bill or the timing or the fact that they have no opportunity to give input I think is proof enough that we are not going down the right road with the strategy the government has chosen here.

Personally, I could live with either alternative, but I think amending schedule H to adopt a position pending the results of a binding minister's question on the ballots is precisely what this committee should do. It is here. I believe in the committee system. I know of countless times we accepted amendments even from Mr. Kormos here.

Mr. Peter Kormos (Niagara Centre): As you should.

Mr. Gilchrist: Not every day, but often. I really think this is a time that the committee could go back to the minister and to the Premier and say, "There's a better way to do this that's more consistent with the strategy that the Premier has laid out for improved democracy and accountability within government."

Mr. Matlow: I might add, Mr. Prue, that I think this is actually a very good step forward for my party. I want our party to be consistent. I want us to stand behind what we said in opposition. I think that the people of Ontario will tell us, either way, if they want the change to be made or not. The bottom line is, we need to stand up with the integrity that we espouse.

The Chair: Thank you for your presentation.

Mr. Hudak: On a point of order, Chair: I just wanted to add one more part to my request to my friend the parliamentary assistant. I'll repeat and perhaps when he has an opportunity to speak he could reply. I'd like him to report back to the committee on behalf of the Ministry of Finance what kind of consultations took place and the results of those consultations, aside from what we heard from the past chair of AMO, and secondly, how other Canadian and American jurisdictions approach municipal terms. The third thing I wanted to ask for—and I appreciate the indulgence of my colleagues—is the process used. Were there public consultations? Typically when these changes were made, were referenda issued, or what kind of process was used when these changes were brought forward?

The last thing I'd like my colleague the parliamentary assistant to respond is why neither he nor the Minister of Finance addressed schedule H in the introductory comments or during debate at second reading. I know it would not be an attempt to hide the fact that this was in the bill. I'm just curious why there was no discussion about schedule H.

Thank you, Chair.

JOHN SEWELL

The Chair: Now I call on John Sewell to come forward, please. Good morning. You have 10 minutes for your presentation, and there may be up to two five minutes

of questions following that. Please identify yourself for the purposes of Hansard.

Mr. John Sewell: Thank you very much, Mr. Chairman. This brief requests that you delete section H regarding municipal elections.

I believe that governments have an obligation to consult with those affected before legislative proposals are close to being put into law. I agree very much with the provision in the Planning Act that requires municipalities to hold public hearings, to provide proper notification and to listen to any member of the public—any member of the public—who wishes to talk about a proposed land use change. I wish the province abided by the same principle of public hearings in regard to its own legislative proposals. At the municipalities, I think it works well that municipalities are required to listen to people. I think the same would work very well here. Schedule H, proposing to extend the municipal term from three to four years, has had no such public hearing, and all of you know that is not good enough.

After the Premier first suggested he was extending the municipal term from three to four years, I contacted a member of the government to ask where the idea came from. I was told that AMO and the city of Toronto had both asked for it. You've heard something about how AMO came to its position; let me tell you how the city of Toronto came to its position.

On November 22 of last year, the report of the governance panel was released. It made about three dozen recommendations about how Toronto should be governed. Various local residents, myself included, asked for public hearings. But city council wanted to proceed as quickly as it could in looking at these recommendations so that it could make its decision before the government released its position in Bill 53, which was slated to happen in early December. Accordingly, city council had no public hearings. I think David Crombie, also a former mayor, had a chance to appear at a committee, where he was treated very badly. In any case, there were no public hearings and city council quickly made a decision on December 6. There was no opportunity for public debate and, as I recall, there wasn't any attention given to the panel's recommendation of a four-year term. All of the attention was focused on the extraordinary powers that were being recommended for the mayor. So the mayor and council may have thought that a four-year term was in their own personal interest, but they made sure the public was excluded from voicing its own opinion.

I might say that the city then, in early April, convened four discussions on the panel's report. At those discussions, people were overwhelmingly opposed to the four-year term and to many other of the panel's recommendations. So there was a bit of consultation after city council had taken its decision, which did not confirm what the city had said. I believe that if you surveyed residents in Toronto or in other municipalities, you would find that people generally do not support the four-year term.

1040

I believe the province should show municipalities some respect. The heavy hand of unexpected legislation

is not the way to do that. The province should back off in this case and allow the three-year status quo to remain. Perhaps some municipalities will want to put it on the ballot this November, and that might provide the government with some direction. But now, today, I urge you to delete section H from the bill.

The Chair: This round of questioning will go to the government. Mr. Arthurs.

Mr. Arthurs: Mr. Sewell, thank you very much for your presentation. Your experience on Toronto council: I believe at that time it was a two-year term.

Mr. Sewell: Two-year terms for the 14 years I was on council.

Mr. Arthurs: Do you have any preference, any sense regarding the two- to three-year terms, of which worked more effectively—given the complexities, as we would see them, of today's environment, at least probably more so in the jurisdictions outside of Toronto, the smaller cities, where there have been a number of new responsibilities that municipalities now have and the capacity of councillors to accommodate those and those kinds of time frames.

Mr. Sewell: I personally would urge a two-year term. I think that's adequate to get the job done and to ensure there's reasonable accountability. I think that it serves people well. I believe the three-year term allows people to do a lot of things and there is a sense that the council gets out of touch.

You must remember that the key to municipal government is that it's making decisions, particularly about development applications, and once that decision is made, it's extraordinarily difficult to undo it, because the development gets built.

So the decisions of council have an enormous impact locally on people. They can feel it right away. If in fact there's a long time between elections, the opportunity for people to actually make sure that their politicians are accountable is lost.

I think it means that a shorter term is not a problem; it's a good thing. We used to have one-year terms in Toronto. My impression is they probably worked okay as well. Municipal elections are not expensive. I think the more elections one has, the more opportunity there is for change.

Mr. Arthurs: The issue of planning and planning decision-making: Coming from my experience, the complexities of the planning and approval processes are ones that engage the political body and community, often over a reasonably extended period of time. Not necessarily five years—although official plan reviews are supposed to happen every five years, and it takes five years to get through the process it seems these days, let alone any appeals that might occur in that process.

My angst is that by having shorter terms, even three years as you suggest, or two in your particular position, really puts much of the decision-making in the hands of the bureaucracy, the municipal staff, because they're the only consistency then in the process.

Mr. Sewell: I beg to disagree. I believe our planning process in Ontario is very badly broken; it doesn't work.

The official plan process does not work. Most municipal councils of any size amend their official plan at least once every meeting. Toronto amends its official plan 10 times every meeting, so there are 100 official plan amendments a year, which is totally ridiculous. But even if there's one amendment a meeting it's ridiculous. It means it's no plan at all. I believe that that idea of having a plan that makes no sense is very, very useful for somebody who's got three years to make decisions. I think that if we shorten the term, we'd start to get some serious planning happening.

The planning is never done by the bureaucracy; they can provide professional help. You need political direction and that comes when politicians are closely allied with the people who are electing them. The more distance you put between the people and those politicians, the less chance you have of actually making sure that we get politicians who want to do political things. I think things are broken and to try and suggest that a longer term is going to fix the planning process is going in exactly the wrong direction.

The Chair: Thank you for your presentation.

Mr. Hudak: Mr. Chairman, on a point of order: I know my friend and colleague, the parliamentary assistant, was asking questions. He didn't have a chance to respond to my requests about the background information and why he nor the minister spoke to schedule H during introduction or second reading debate. Perhaps the parliamentary assistant wanted to use some time to reply to those requests.

The Chair: I will now call on the next presenter.

Mr. Hudak: On a point of order, Chair: In the absence of the parliamentary assistant just responding to a routine request for some information behind schedule H, I'll now direct my request to the committee clerk. Could the committee clerk get back to the committee by noon today, which was the time we were told to have amendments filed, on what kind of consultations the McGuinty government undertook and the results of those consultations, aside from AMO, on schedule H specifically; how other Canadian and American jurisdictions treat the issue of three-year terms versus four-year terms versus two-year terms; third, the process used—were there public hearings, were there referenda or, similar to Ontario, was there a bill passed without debate and given two hours of hearings maximum?—and my fourth question is, could the research assistant find out why neither the parliamentary assistant nor the Minister of Finance addressed this issue during second reading debate nor during introduction of the bill.

The Chair: On some of the points you raise, legislative research will try to find the answers, such as other jurisdictions, etc. Thank you.

GLORIA LINDSAY LUBY
GIORGIO MAMMOLITI

The Chair: Now I would call on Gloria Lindsay Luby and Giorgio Mammoliti to come forward, please. Good morning. You have 10 minutes for your presentation.

There may be up to five minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard. You may begin.

Ms Gloria Lindsay Luby: Thank you. I'm Councillor Gloria Lindsay Luby, Etobicoke Centre, ward 4, city of Toronto.

Mr Giorgio Mammoliti: Giorgio Mammoliti, York West, ward 7, city of Toronto and chair of the affordable housing committee.

Ms Luby: I'm also vice-chair of the governance review committee at the city of Toronto.

Let me tell you a little bit about my background in municipal government. I hate to admit it, but it stretches back to the mid-1970s when I started as the first executive assistant to a mayor in Toronto. So I learned what it was like to be on the staff side. Later, I worked with the bureau of municipal research and conducted research throughout Ontario on various issues, one of them being the teaching of civics in our schools, and that was adopted as a module. I also was a school trustee in a two-year term. Then I went on to be an Etobicoke councillor, experiencing a three-year term.

I am obviously presently a city of Toronto councillor. I have never been acclaimed. I have had to fight hard in each election, and I run for re-election the day I'm elected. As well, my mother-in-law is a three-term councillor in Ridgetown. Some of you are from Chatham-Kent, so you probably know where that is. I am also a municipal consultant. I have travelled extensively throughout Ontario, teaching new councillors the job of being a councillor. I have worked with municipalities in strategic planning, helping them deal with issues and looking ahead for their futures. As well, I'm the past chair of the large urban section of AMO and presently sit on the board of the Ontario Good Roads Association. So as you can see, I have a very fulsome background in municipal government.

The issue of a four-year term was brought before the OGRA/ROMA conference by the Premier in February. He received an extremely positive response from those who attended.

As a consultant, I have seen municipalities change and evolve over the years. Where at first the small municipalities had maybe a clerk-treasurer and three or four staff people to run the show, things have changed dramatically. The staff have become far more educated and sophisticated. The councillors have had to work a lot harder to keep up with the changes in legislation. Let's not kid ourselves; we've got big issues like Walkerton that put everybody on the alert. You've got to pay attention to this. This is important. It's not like, "Oh, well, we're going to pave the back 40 now." It's not that way any more. Certainly, in the city of Toronto—we are the sixth largest government in Canada—we are dealing with huge and complex issues continuously.

1050

I seldom find myself agreeing with Mr. Sewell. Through all these years, I don't think I've ever agreed with him, actually, now I think about it, but we have to

realize that these issues are really important. You can't roll back the time to say, "Oh, it's more democratic." That's not true. It is simply not true. What we need to do is have constant elections throughout Ontario. The only thing I'd like you to change would be to roll back the election date for municipalities. I hate going through Halloween; it's awful. And by the time you get into the middle of November, the weather is horrible. So, if anything, that would lower the turnout at municipal elections.

I do like the fact that you're allowing a lot more advance voting, those kinds of opportunities for people to get out. That's important. Get the vote out in those ways. Make it convenient for people. That's important. But I support totally a four-year term. I think it's something you need to do. Dealing with a budget of almost \$8 billion now at the city of Toronto, you have to understand what is going on. Even the smaller municipalities are dealing with issues constantly. I read the Chatham-Kent newspaper all the time. It keeps me in touch with what's going on there, and I see what's happening. The issues they are dealing with there may be smaller-scale, but they're identical to what we're dealing with in Toronto, and they are having as much work to do in that sense as we do.

I would urge this committee to support the four-year term. I think the vehicle in which it's being done is awkward, being stuck in the budget, and that's something for you folks to figure out, but I do not support the idea of a plebiscite. It comes too late. You have to make the decision now in order to be ready for that election in November.

I want to just end with the meeting that my MPP, Donna Cansfield, held two nights ago. It was a town hall meeting. All the Etobicoke Centre people were there, from federal to school trustees, and the issue of terms came up. The last speaker was a very elderly gentleman. Knowing how conservative Etobicoke tends to be—we're real penny-pinchers and that sort of thing—I expected him fully to agree with Councillor Holyday and say, "Oh, yes, keep the three-year terms." Instead, he surprised me by saying, "Yes, I like four-year terms. It'll save money on elections."

Mr. Prue: Rob Ford likes them too.

Ms. Lindsay Luby: Don't mention his name.

Mr. Mammoliti: Mr. Chairman, you'll have to forgive me. I'm a bit nervous coming back into the Legislative building and this committee room. I understand that you go on to clause-by-clause very soon and I understand how exciting that can be.

I have heard the discussions and the comments made about a three-year versus four-year term, and I can only tell you that being what I would consider a career politician, now heading into my 17th year, I appreciate the tools that Bill 53 would bring to municipalities and I appreciate the extra year as a councillor. And we're speaking here on behalf of the city of Toronto, because we've actually adopted this particular policy. I appreciate the fact that you're listening to many of us and many of

our citizens and increasing the terms of office, because work needs to be done. Many of us like to start jobs and we want to finish those particular jobs.

You mentioned planning. Planning is becoming a nightmare and you need to spend the time understanding communities, what they want around their communities and how they want their communities built and rebuilt. With respect to the city of Toronto, it is about rebuilding and it's about revitalizing. I can speak directly to you with respect to the ward I represent in saying that finally, after an eight-year process, we're anticipating the first shovel going into the ground on a \$10-billion project to revitalize ward 7. We've got a number of developers on board finally. And finally, the city of Toronto had approved the rezoning and the process. It took eight years.

I think a four-year term is fair for anyone who takes their job seriously and wants to rebuild their particular communities. Councillors who take their positions seriously really do need the time to do it. I think that those who are coming forward—I respect Mr. Sewell, but with all due respect to Mr. Sewell, he was a mayor a long time ago, and things have changed. Populations have changed. In fact, they anticipate the population of the city of Toronto being in and around 3.5 million in just a few short years. If that's the case, I think the sixth-largest government in the country should deserve a bit of change. They certainly need the tools to be able to do it, and that includes the increase from three to four years.

The Chair: You have about a minute left.

Mr. Mammoliti: I chair the affordable housing committee. Without getting into the need for affordable housing and the politics around the waiting list that's around—I appreciate the government's support, by the way, with respect to this. We're going to do our best to try and build affordable housing, but you need the time to do it and you need individuals who understand the issues. So a four-year term could help me in this particular position make sure that some of that affordable housing starts and finishes.

Thank you for your time.

The Chair: Thank you. This round of questioning goes to the official opposition. Mr. Hudak.

Mr. Hudak: Thank you, Councillor Lindsay Luby and Councillor Mammoliti, for your presentation. I appreciate your views and respect them.

I did notice that Councillor Walker is with us here today and that Councillor Walker is not sitting with you at the table, which signals to me that there must be a difference of opinion between councillors of the city of Toronto.

Mr. Mammoliti: Yes.

Mr. Hudak: Unfortunately, the government has said that we only have two hours on a schedule that's buried in a budget bill that no government member spoke about in the House. This affects thousands of races across the province, whether for municipal office or for school board trustee, but only two hours of public hearings. Unfortunately, Councillor Walker was not allotted time. So if Councillor Walker were at the table today with you, what would he say?

Mr. Mammoliti: Councillor Walker would be against the city of Toronto's position. He's made that very clear, and I'm sure he'll continue making that very clear. Councillor Lindsay Luby and myself are here on behalf of the city of Toronto and the policy that we've adopted, and to give you that particular message.

Ms. Luby: Councillor Walker also will be urging you to have a plebiscite. The last time a plebiscite was held in the city of Toronto was over amalgamation. I did not support that, because I recognize that the provincial government is the determiner of the municipal governments. We still are the creatures of the province. I knew darn well that the only people who would turn out to that plebiscite would be those people who didn't want amalgamation to occur. So in my opinion, we spent a lot of money and got a lot of people upset voting on something they knew they could not affect because it was not within their power; it was within the province's.

Mr. Hudak: I do understand Councillor Walker. I'm sorry that there's not enough time for him to speak. But I understand he has 12 councillors who are supporting a plebiscite on this. Hopefully, he'll have time to at least make his comments in public, if not here at this committee.

The comparable here is that if you're looking at changing ward boundaries, for example, in the city of Toronto, or deciding to change the pay or benefits of city councillors, would you go about that process with some sort of public hearings, or would you just decide it at a council meeting?

Mr. Mammoliti: I was here for some of the discussion and some of the questions and your points of order. With all due respect, I think it's a part of your jobs to talk about process and how you feel about process. But in doing that, I'd ask you not to forget the fact that many of us believe that a four-year term will help communities.

1100

I can say that I wouldn't want to delay this any further, that I would want to see this go through as quickly as possible, because the city of Toronto has—

Mr. Hudak: With respect to the point I make back is—you can talk about paying benefits and boundaries—

Mr. Mammoliti: Just let me finish my—

Mr. Hudak: —but you generally check with the citizens—

Interjections.

The Chair: Order.

Mr. Mammoliti: Mr. Hudak, let me finish my response. The city of Toronto did do, and is continually doing, consultation on this. I chaired one of those committees. Councillor Lindsay Luby and myself sit on another. We have heard continually that this is a good idea.

Mr. Hudak: From citizens, who have said that a four-year term—

Mr. Mammoliti: From citizens in the city of Toronto, absolutely.

The Chair: Thank you for your presentation.

Ms. Luby: Could I just add that we shouldn't just focus on the four-year term when we're looking at the Toronto act. We have other pieces of governance that are really important to get through, and we'd appreciate your attention to all of that.

The Chair: Thank you.

KAREN McMILLAN AVER

The Chair: I would call on Karen McMillan Aver to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Ms. Karen McMillan Aver: Good morning. My name is Karen McMillan Aver. I'm here to discuss the plan to reduce local elections from every three years to every four years. While I have concerns about the policy, I have greater concerns about the process.

Let me begin by reading the text of a petition that I signed the other day.

"Dear Premier McGuinty,

"We strongly urge you to reconsider your proposal to extend municipal council and school board terms from three years to four years. The longer the term, the less democratic our system becomes.

"With voter turnout under 40% in some places, our local democracy has become dysfunctional. Our communities are in desperate need of new mechanisms to increase civic participation. Your plan to lengthen terms will only disengage the public even further.

"We all want healthy Ontario municipalities with functioning and vibrant democracy. At a minimum, we urge you to hold extensive public consultation meetings on this issue. The voters of Ontario deserve nothing less."

Let me repeat the last line: "The voters of Ontario deserve nothing less." This legislation is about elections, and elections are about the voters. It sounds trite to say this, but elections are about the voters. You have already heard what municipal politicians think of this issue. I can't speak for them; they can speak for themselves. But who speaks for the voters? What about our rights? What about what's fair to us? I'm here this morning in my capacity as a voter—as an ordinary voter.

Actually, I'm not entirely ordinary. You see, I actually heard about this legislation, so that makes me rare. Someone sent me an e-mail, and that's the only reason I heard about this plan. Otherwise, I'd be in the dark like everyone else.

Most voters, most people in Ontario, don't know what this legislation proposes. They don't know that the government is trying to reduce the number of local elections. The reason voters don't know is that you never told us. You never held a press conference to announce the policy. You never said anything when the bill was introduced. Here we are at the committee hearing, and the government still has not said anything about why this section is in the bill. Maybe you have great reasons for

making this change. Maybe the voters will agree with you. No one knows, because there hasn't been any discussion and there wasn't any consultation.

What this legislation does is change our electoral process. It's wrong to change the electoral process without informing the public. It's wrong to change the electoral process without consulting with the public. Every other policy, the government makes an announcement. Every other bill, the government explains to the public what is going on. Every other time, there has been some kind of explanation. Why not? It's clear that you talked to municipal politicians. What about us?

Do you think the election process belongs to politicians? It's supposed to belong to the people. Do you think we don't understand? Did you think we don't need to know? It's bad enough when government feels you don't have to listen to the people; it's even worse when government feels you don't have to tell us what is going on.

My city councillor, Gloria Lindsay Luby, spoke ahead of me this morning. She is a good councillor and I respect her. But you know, the next election is not important just to Councillor Lindsay Luby; the next election is important to everyone in ward 4. It's important to hear what Councillor Lindsay Luby has to say about reducing the frequency of municipal elections, but it is just as important to hear what the voters in ward 4 think about reducing the frequency of municipal elections. The big difference is that Councillor Lindsay Luby knows about this legislation. Most voters in ward 4 don't even know about this plan because the government hasn't told them. That's not fair, that's not right and that's not democratic.

On an issue this important, you have to listen to the people, and before you listen to the people you actually have to tell people what you're doing. After all—I'm going to read you a quotation here—"Government is a privilege as well as a responsibility. Part of the responsibility includes listening to what people have to say." Who said that? Dalton McGuinty.

Here's another quotation. Do you know who said this? "In addition to demanding that this government split this bill, I have an additional, outrageous request. We want just a few hours of public hearings. We know that involves a couple of things that you on the government side of the House don't understand, and that's the need to involve our public, that's the need to listen to the public. I want you all to say it with me slowly now: public hearings. Public hearings; those two words go together nicely if you believe in true democracy, if you recognize that public input is one of the tools that make for good legislation and if you really believe in tools, instead of the same old-fashioned, Tory sledgehammer approach to legislation in Ontario."

That was also Dalton McGuinty.

And so was this: "I just can't think of a more important bill, a bill which warrants as much scrutiny and debate, than the budget. The budget is the bill through which the government levies billions of dollars in taxes

and it's the bill through which the government breathes life into its priorities through its plan of expenditures. This kind of debate and scrutiny and question period is supposed to be how the system works. That's democracy at work. As I said, it's slow, it's messy, it is cumbersome, it can be tiresome, it can be inefficient, but there is no better system that has yet been devised by humanity. Ramming through bills without proper debate weakens our system of democracy."

He was talking about the budget bill, and that's ironic. Why? Because Bill 81 is the budget bill. Bill 81 is the budget bill and the government is ramming it through without proper debate. That's exactly what Premier McGuinty says "weakens our system of democracy."

Bill 81 is the budget bill, but this change related to municipal elections has nothing to do with the budget. The government put that change in this bill so no one would notice. Well, you almost got your way: 99.99% of the people never noticed. But those who did notice are angry that you would sneak this through without any discussion.

Here's something to bear in mind: The budget bill is big, but every single speaker today is here to talk about one issue only, and that is the plan to hold fewer local elections. That fact tells you why this proposal needs to be placed in a separate bill: so there can be proper education of the public and dialogue and consultation. I urge you to take this section out of Bill 81 so it can be dealt with in a separate piece of legislation, with proper consultation and proper hearings.

1110

The Chair: Thank you. This round of questioning will go to the NDP.

Mr. Prue: Before my questions, I want to commend you. I think you have touched on every single point that needed to be touched on on behalf of the electors of this province. What you said—you should be in Parliament with this. Run in the next election, please, for any party. Just be there.

The petition you talked about. Whose petition is that?

Ms. McMillan Aver: It came to me by an e-mail.

Mr. Prue: Do you know who's organizing it? It has to go back to someone.

Ms. McMillan Aver: Yes, by the time it came through to me, I read it through and sent it back to a personal friend who had sent it through to me.

Mr. Hudak: I think it's ThreeYears.ca.

Mr. Prue: Okay, it's ThreeYears.ca. Now I understand who the petition is from.

You said the election belongs to the people. That's refreshing to hear; it's also true. Did Ms. Lindsay Luby or any other politician on the municipal level consult you or put anything in household flyers about the city's position on a four-year term?

Ms. McMillan Aver: I don't believe the timing of this allowed for the printing of even a householder for Lindsay Luby to be able to do that. I have heard nothing about this other than through an e-mail.

Mr. Prue: All right. And the e-mail was the first time you got this?

Ms. McMillan-Aver: That's correct, sir.

Mr. Prue: I don't whether you were here earlier. The first time I saw it was in preparation for my response to the minister's and the parliamentary assistant's statements in the House. That was the first time I saw it. Literally, that was a day later. Since you've found out, how many other people have you spoken to about this?

Ms. McMillan-Aver: I am the 401 of e-mails.

Mr. Prue: Have you found anyone who supports this?

Ms. McMillan-Aver: Not in my group of 401 drivers.

Mr. Prue: There are two options. I've put this question before. One option is to withdraw that section, and the other one is to simply ask that the public decide, in terms of a binding referendum at the time of the municipal elections, whether it be a three- or four-year term. Which one do you prefer?

Ms. McMillan-Aver: I prefer withdrawing the section and having proper debate over the section.

Mr. Prue: If that means it cannot be instituted for this round but does become law, it would become the law for the subsequent election. That's all that would change?

Ms. McMillan-Aver: That's correct.

Mr. Prue: I think those would be my questions. Thank you.

The Chair: Thank you for your presentation before the committee.

DIRECT CITY ACTION

The Chair: I call on Direct City Action to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. David White: My name is David White. I'm here as the co-chair of Direct City Action. Direct City Action is a citizens' organization that has been active in pressing for governance and financial reform for the city of Toronto. I'm also somebody who scrambled to try to get here today to make a presentation. I'm not going to have one as long or as eloquent as the previous speakers, but I do want to make a few points.

Our recommendation was that Bill 81 be amended to provide for the three-year term for municipal councils to continue. I've learned, from the previous speaker, that more correctly what you would need to do to accomplish that is to withdraw that section, so I'm learning just before I'm speaking here today what this is about.

Municipal politicians like to pride themselves on being closer to the people than their colleagues at the provincial and federal orders of government. I think that's actually true, and I'm going to give you some examples of how that manifests itself when citizens present themselves to a committee of the municipal government to make comments on what laws are being proposed for change. For example, citizens, at least at the city of Toronto—I believe this is true of many municipal gov-

ernments—don't have to make appointments in order to address a committee of municipal council. We can simply show up and just put our hand up at the end of the speakers' list of those people who have already registered. We'll be recognized and we can make our comments. Everybody who asks for an opportunity to speak gets to speak at a municipal committee. It isn't up to the chair or the committee to decide who gets to speak. Everybody just comes and if they want to speak, they speak.

Municipal councils conduct almost all their business in public except for issues when they're negotiating real estate matters and they need advice from the officials on what a piece of property is worth, or when they're dealing with specific personnel matters dealing with specific people, or when they're dealing with legal matters and the city solicitor wishes to give them advice on how good their case is in court. Those things are discussed in private; virtually everything else is in public. We don't know the cabinet system of government at the municipal level; we don't know cabinet secrecy at the municipal level of government. I think it's true: Municipal governments are closer to the people, and I'm going to return to that in a minute.

One of the arguments that is made is that municipal politicians require longer terms in order to engage in long-term or strategic planning. I don't think that's true. First of all, I believe that it's really the civil service who carries forward long-term plans and strategic planning; it's not the municipal politicians. Even if it were, most long-term plans last much longer than four years, so four years doesn't accomplish anything in terms of strategic or long-term planning.

Let me give you an example here: A strategic decision that has been made at the—well, it was initially made, I might add, at the municipal level, but now the provincial government has caught up with this idea, which is that smoking should be banned in indoor public spaces. That's a long-term strategic decision which will bear fruit in the long term with respect to people's health. Obviously, it's not something that has effect in four years, so that's just one example of long-term planning that has to be carried forward from government to government, and has to be carried forward by the civil service. I don't think it's arguable that a four-year term is necessary for municipal politicians to engage in long-term thinking.

I want to give you another example: When David Crombie was mayor, he was first elected for two years. In his first two years, he and his council made some very important strategic changes. For one thing, they set up a housing department and got the city back into the housing business. They reoriented city planning, especially for the downtown core, to get people living downtown. He set up a housing department. He also got a new neighbourhood started, and construction was actually under way within a couple of years. It was a real sea change and it was all accomplished in two years. Again, I think it shows that in fact city councils can accomplish a lot in two years when they're motivated and when there is the political will.

I just want to get back to the issue of municipal politicians being closer to the people. Municipal politicians really pride themselves on that. I'm sure many of you have been lectured by municipal politicians in that regard and I'm sure those of you who have been municipal politicians have made that point to other levels of government. The other side of that is that municipal politicians, if they're closer to the people, need to face the people more often. For that reason, I would urge you to strike out—I think that's the correct way to say it now—the section of Bill 81 that refers to the municipal term. It really has no place in this bill.

That, by the way, is another example of how this level of government differs from municipal government. A municipal government wouldn't dream of trying to attach something so unrelated to a budget because the people would be on to it in a flash and would be immediately able to come down and raise the issue vociferously. Thank you very much.

The Chair: Thank you for your presentation. This round of questioning will go to the government.

Mr. Arthurs: David, thank you for your presentation. I want to talk a little bit with you about the issue of being closer to the people. Municipal politicians do take some pride in that. Many of us have been engaged in that process in one fashion or another, and we recognize the distance between local politics and provincial politics, let alone those who serve at the federal level. The real question I have though is, whether it's a two-year term, as Mr. Sewell preferred, or a three-year term, as is being proposed to be retained by yourself, or a four-year term, as the past president of AMO and others in the municipal field have specified, how does the difference in length of service change that context of accessibility, i.e., being able to attend committee meetings, or the openness that comes with the structure that's in place for municipalities whereby they must be public except in those very specific circumstances? How will that change, in your view, if the term is four years rather than three years, or would it be better served if it was two years rather than three years, as Mr. Sewell was proposing?

1120

Mr. White: Direct City Action doesn't have a position on whether it would be better at two years. Our position is that we should simply maintain the status quo because it, in our view, works well. What makes politicians ultimately close to the people is the knowledge that they need to face the people on a regular basis. I would argue that since municipal politicians take such pride in being close to the people and since they press that point forward when they come and talk to politicians at other orders of government, they should accept the consequences of that, which is that they should face the people more often, and I think the three-year term is a satisfactory arrangement at this point. As I said, we haven't taken a position whether it should be a two-year term. Maybe it should, but that's not a position we're taking. We're simply saying that it should not go forward as a four-year term and there should especially not be a four-

year term implemented with so little notice to the public and so little publicity to the public that this matter is before the committee today.

Mr. Arthurs: So you would take the position that (1) in your view, there's a process deficit in the context of how we're proceeding and (2) on the issue of access, accountability and openness, that a three-year term as opposed to a four-year term will maintain a level of access and openness that might not otherwise occur if the term were other than—

Mr. White: Let me address that as well. There's a well-known phenomenon among politicians that they get a little bit arrogant and one of the ways that can manifest itself is that they—and by the way, I should tell you I have been a politician, so I'm not pointing a finger here. I'm talking about politicians generally. There is certainly a tendency for politicians to become arrogant when they feel that they're secure in office. One of the ways that can manifest itself at a committee hearing is that they can go through the motions of listening to the people when they come down to speak on a matter. But you can often tell that they're actually just going through the motions; they're not really engaging the public. I believe that if politicians face an election more often, they're going to engage the public—not just go through the motions of hearing the public but really engage the public. So I think that's one way our democracy can be diminished by a longer term at the municipal level.

The Chair: Thank you for your presentation.

Mr. Hudak: Point of order, Chair. I thank the gentleman for the presentation, by the way. I'm sorry, I did have a point for you. I just wanted to call members' attention and make a request to the parliamentary assistant. We have a letter submitted by Jane Pitfield, city councillor, city of Toronto, ward 26, who many members know is running for mayor of the city of Toronto. Unfortunately, Ms. Pitfield has been denied the opportunity to speak to this committee. In her letter she makes a number of points: her view that increasing the term from three years to four would make local councillors less accountable to the residents who elect them. She feels that when combined with the proposed new City of Toronto Act, extending terms of office makes local government less meaningful to residents.

The other point I wanted to cite in my request to the parliamentary assistant is that she says, "As a city councillor who believes in holding elected officials accountable, I am a little disappointed to see this change in legislation buried in a budget bill."

I might ask the parliamentary assistant, is the reason this is buried in a budget bill—Mr. Arthurs, just a quick question, I'm sorry. Ms. Pitfield is curious why this is buried in a budget bill. Is the reason schedule H is buried inside a budget bill because it's about reducing costs? Is that why it's part of a budget bill?

Mr. Arthurs: Just very quickly, I'm still relatively new here but I thought that we were having deputations and opportunities to question the deputants and not having a debate.

The Chair: I was waiting to hear a point of order and I have not heard one. All members have the letter submitted, by the way. All members of the committee have the written submission by the person in question.

JOSHUA CREEK RATEPAYERS INC.

The Chair: I call on Stella Ambler. No? Joshua Creek Ratepayers Inc. Would you please come forward?

Mr. Hudak: Point of order, Chair: Now that Ms. Ambler doesn't seem to be in the room—

The Chair: We have indications she's stuck in traffic.

Mr. Hudak: If she doesn't show up and the committee does have the time, then I might suggest that Councillor Walker, who has been very patient waiting here, would have the opportunity to come before the committee and make a presentation.

The Chair: Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Rob Burton: Thank you very much. My name is Rob Burton. I'm the president of Joshua Creek residents association in Oakville. My residents association feels lucky to have this chance to speak, considering how quickly it came up and how few delegations could be allowed. We hope that we can be helpful this morning. Maybe we can be a barometer for what the public will think about the proposal to increase to four years the term of office for municipal politicians.

I want to tell you about my area. The 35-year-old association I have led for most of the last 10 years covers an area of 2,300 homes and 6,500 people on the eastern edge of Oakville. Our area borders industrial land on two sides. The beautiful but heavily polluted Joshua's Creek runs through our area. We have a diverse mix of ethnic groups, income classes and age levels, and politically we are evenly divided between the larger two parties represented in the Legislature. Many of us in the last provincial election were attracted to cross over party lines to support Kevin Flynn and send him as our MPP to the Legislature. I supported him even though I had to change parties to do it, and I still support him. Life's like that in our community. We want the best.

In the Joshua's Creek area, we get along too. We walk our dogs together. We keep an eye on each other's kids. We never let differences about party politics spoil our friendships and the satisfaction we feel in being good neighbours to each other. We talk to each other. The word on the street and the conversations in the grocery store about your decision to lengthen the term of municipal political office to four years is not favourable among those I engaged over the last 48 hours.

The first problem with your proposal is the failure to include measures to balance the harm this decision will cause. That's got to look hasty and irresponsible as more people become aware. The biggest challenge with municipal politics is accountability. It only occurs when politicians face the voters, currently every three years.

We have no other accountability measures at the local level to help us with problems in municipal government. What kinds of problems require improved accountability? Here are the top seven:

(1) Consider the problem of illegal secrecy in local government. The Municipal Act calls for open government. It allows the use of secrecy for only five reasonable purposes. But my town government conducted budget committee meetings, at least two of them, in secret, and a myriad of secret subcommittees of council meet without the benefit of public sunshine on their deliberations. My town's council and mayor recently voted a 30% pay rise for themselves. For public consultation, the mayor hand-picked a panel of five residents, who met in secret. None of these are permitted uses of secrecy under the Municipal Act, but there is no penalty in the Municipal Act for the misuse of secrecy in local government. There is only the judgment of the voters. By reducing the frequency of elections and doing nothing to strengthen open government rules, you will encourage even more illegal secrecy.

(2) Consider the problem of inadequate, too-short public notice and phony public consultation. It is a scandal in many towns. The only recourse for the public? Elections. But you're going to reduce the number of elections.

(3) Consider the problem of bringing local issues to the attention of some local politicians. By making it four years between elections, you reduce the amount of time that some local politicians will heed their constituents from only one year out of three to only one year out of four.

1130

(4) Consider the problem of the incumbents' advantage in local elections. If you increase the delay between elections, you increase that advantage. It will be harder and more expensive for challengers to compete with incumbents. Perhaps you should adjust campaign spending limits to balance that negative impact. Perhaps you should stop those who do business with town and city halls from being able to swing elections by making their candidates the best-funded and most likely to win, and end this blatant conflict of interest that taints municipal government. Perhaps we need an offsetting two-term limit to balance the loss you're giving us in election frequency.

(5) Consider the problem of election integrity in local elections. The fundamental guiding principle of the federal and provincial elections acts is integrity. The fundamental guiding principle of the Municipal Elections Act is the convenience of the local municipal clerks. In a provincial election, independence and balance are required in those who conduct the elections. In municipal elections, the incumbents run the elections because they appoint the clerks and all the other election workers. How will decreasing the number of times that incumbents have to face the voters do anything to increase public confidence in the municipal election process?

(6) Please consider the problem of voter turnout. Voter turnout in local municipal elections was higher when

terms of office were only two years. In my town, turnout fell by 25% after the change from two to three years. Will one of the unacceptable consequences of this change be to cause voter turnout in local elections to fall even lower? I think so.

(7) Please consider the problem of controlling the costs of municipal government. Most of these costs fall on the overworked back of the property tax and, increasingly, on local rates. In the last eight years, the provincial government has held the tax levy increase for schools to keep perfect pace with the population growth in my town. And we appreciate that. The upper tier of municipal government has kept the growth of its tax levy fairly close to the rate of population growth. And we appreciate that. Meanwhile, my town has increased its property tax levy four times faster than the rate of population growth because of a steady string of decisions to shift costs to property taxes that could be on development charges. By reducing the opportunities we have to bring our politicians to account, what are you going to be doing to our tax burden? Increasing it, I would predict.

The second reason your decision won't be popular, I fear, is that the government ran on a platform that asked for a mandate for democratic renewal and increasing participation in democracy. There was no disclosure that this would mean fewer municipal elections. Municipal elections are not a burden. They are our only chance to hold our local politicians to account. Elections are good. If you do make this change, I believe that voters will compare your having said you would increase democracy against your sudden reduction in democracy. This change will not increase the public's respect for politicians. This change will breed more cynicism where it needs to be reduced, for the sake of democracy and for the sake of strong and healthy communities.

The third reason this change is not good for Ontario is that frequent accountability before voters in local democracy is too important and too vital a part of having healthy communities. That is why it is wrong to so quickly adopt this measure to reduce accountability and to do so with no attempt to balance the negative impacts. You are cheating us voters out of our say on the length of municipal office terms.

But there is a democratic way to introduce this change. Why not use that? Let the voters decide, this fall, in the coming municipal election. Force local politicians who want longer terms in office to face their voters this fall and tell them upfront if they're for or against longer terms for municipal office. That would be the first opportunity the voters in my town or any other will have had to give their opinion about term lengths. None of the politicians in my town's last local election ever said to the voters that they wanted longer terms of office. But once elected, my town's council, like the others, was surveyed by AMO as to its preference for term lengths. My town's council did not consult with the residents and voters of my town, and they didn't tell us how they answered that survey. I think most of the voters in my town would appreciate an opportunity to have their say on this matter.

Then, after this fall's election and having faced the voters on it, AMO's members can report how many want longer terms of office. That answer would have a little more integrity than the one they're giving you now.

The Chair: You have about a minute left for your presentation.

Mr. Burton: As it stands now, they're using you. Only if you do it this way will anybody be able to respect the change you want to make and respect you when you speak about democratic renewal. Whatever way you decide to proceed, please understand that we in the Joshua Creek area will appreciate very much any consideration you may give to our attempt to help you here today on this issue. Please reconsider this hasty change. Please think about the consequences. Please do better.

The Chair: Thank you. This round of questioning will go to the official opposition.

Mr. Hudak: Mr. Burton, thank you very much for your presentation on behalf of Joshua Creek Ratepayers—very passionate and very well reasoned.

One of the curiosities that the government has failed to defend is the fact that this provision to reduce the frequency of elections is buried in unrelated budgeting matters. Why do you suspect that's the case?

Mr. Burton: I have a lifelong conviction that people only hide things that they're embarrassed by.

Mr. Hudak: What do you think about the notion—and I appreciate your points; I'm optimistic that my colleagues will agree with me, because I know they're each committed to local democracy and democracy in Ontario—of just severing out schedule H, removing it from the budget bill and having it go forward with public hearings as a stand-alone bill?

Mr. Burton: I would obviously prefer that to what appears to be going to happen. It pains me to see the government making this mistake. I worked very hard for my member's election. I live in what I think is well known to be a swing town. I don't think this is going to help the member, who I think contributes very valuably to the Legislature on behalf of Oakville. This is a mistake. Pull up before you hit the ground is my earnest advice to you.

Mr. Hudak: I know Mr. Flynn, your member for Oakville, had the courage to stand up against the Premier and support my bill, the Homestead Act, which would cap assessment increases at 5% a year, and I hope he would have the same courage to fight back against the antidemocratic measure of schedule H, particularly its being buried in a budget bill.

Mr. Burton: I hope he'll still talk to me after this.

Mr. Hudak: I'm sure he will. It was a well-reasoned presentation.

Chair, I'm going to stand down the rest of my time on the condition that, since Ms. Ambler has not yet arrived and we still have 20 minutes to go before recess, Councillor Walker would now have the opportunity to come forward and make a presentation to the committee.

The Chair: Thank you for your presentation.

Mr. Arthurs: On a point of order, Mr. Chair: I don't know who was on the list of requested deputants before

committee. Respectfully to Mr. Walker, if he wasn't, I'm certainly not prepared to entertain additional deputants who, at the very least, didn't have their names submitted as potential deputants.

Mr. Hudak: On a point of order, Mr. Chair: If there are other members here—I recognize a lot of staff from the Ministry of Municipal Affairs and Housing, my friends from the days of the greenbelt and such, other staff from the PC and NDP offices who have been here and members of the press—who have asked to come before the committee and were denied, I'd entertain them presenting as well. But I know Councillor Walker is an experienced city of Toronto councillor. He feels very strongly about this legislation, and he's been patient enough to be here. So in the absence of Ms. Ambler, I would strongly suggest that Councillor Walker be given that opportunity. If there are others on the list who are here right now, bring them forward as well.

The Chair: For the committee, the 11:30 presentation has not cancelled. They've indicated that they are trying to arrive here through traffic, so we will recess until five to 12.

The committee recessed from 1135 to 1149.

The Chair: The committee will now reconvene. The 11:30 deputant has not arrived. Mr. Hudak, do you want to make a suggestion before the committee?

Mr. Hudak: I recommend that Councillor Walker, who was on the list as an alternate, now proceed and make a presentation.

The Chair: We are under time constraints. First of all, some may want to vote before 12, should there be a vote. As well, we cannot go past 12. Do you have a recommended time that the person may speak? Three minutes?

Mr. Hudak: It was Mr. Prue's turn for questions.

Mr. Prue: I don't need to ask questions, but we can give him the seven minutes that I have until 12 o'clock. I don't know whether we need to do anything right at 12.

Mr. Hudak: The standing order goes until 12.

Mr. Prue: So we give him seven minutes.

The Chair: We can't anticipate that there would be a vote, but members should be allowed to vote, should that happen.

Mr. Prue: If there's a necessity for a vote, but failing that, that he go until one second to 12.

Mr. Arthurs: Fine.

The Chair: All right, then. That would mean that there may not be questions, then. Okay.

Mr. Prue: That's fine.

The Chair: Is the committee in favour? Agreed.

MICHAEL WALKER

The Chair: Our next deputant may come forward. Please identify yourself for the purposes of our recording Hansard. You have until approximately 12 o'clock.

Mr. Michael Walker: My name is Michael Walker. I'm a city councillor with nearly a quarter of a century of political experience at Toronto city hall.

I've come today to speak against really a basic denial of the democratic process in slipping this through omnibus legislation attached to a budget. Have we not learned from the previous government and the commitments that were made about democratic renewal and a more democratic and open government that the longer the term municipally, the less democracy you get, the less public participation you get? I think that's been proven.

If we're going to justify having three levels of government, we've got to make a distinction about what local government is over provincial and federal levels of government. It is the government that's closest to the people that represents basic democratic principles. You are the people's representative; you are the people's advocate. The way to ensure that is that you vote the way the people want on local issues, whether they're big development issues that might result in tens of millions of dollars of profit or local issues relative to a traffic plan or putting in parking. The way to ensure accountability and true democracy, in the Athenian style, is you go back to the people all the time. You make sure that that level of government is different than the others because the politicians are always looking over their shoulder. It does result in the much more bully-pit type of politics of the Athenian forum, where you went down and debated major public issues—the political representatives—before the citizens, the governed, of the day. That's the distinction, and the way to ensure that is greater accountability, and greater accountability is a greater renewing of a mandate with the people through the democratic process.

This proposal is generated by self-interest. It's politically corrupt in its very nature because it's generated by elected politicians who are promoting their own interests and not the public interest. How would this benefit the public interest? It doesn't, because it takes away from that accountability. The comfortableness that politicians get, and the arrogance: The longer they can be away from making decisions that aren't the will of the people that they represent or the people generally, the less there's going to be accountability when you go back to the next election, counting on the people's memories being short. We should be doing exactly the opposite. The greatest city-building in this city and, I believe, in this province, was done under two-year terms. Allan Lamport—he did a plebiscite. He did many plebiscites until he got the vote he looked for to build a subway. The issues of public housing, public health, the building of roads and other public infrastructure were done under two-year terms, whether it was David Crombie or John Sewell or Allan Lamport. That's when great city-building and great policy debates took place, because people were engaged. The issue of the Allen Expressway was one of those cases when public will came to the fore. Political representatives, both municipally and provincially, responded to that by stopping the Allen Expressway going down and desecrating neighbourhoods.

If we're to return to those principles that don't change because government gets bigger and budgets become

bigger—none of those principles do change. They pass on with time. The arguments that were made by some of my colleagues that they need more time to make decisions—and Councillor Lindsay Luby was saying that the day right after the last election, she's out campaigning for the next one. Well, I am too. How could you make those arguments and say you don't want to go back to the public earlier? I think, for most elected officials, it's in their self-interest to not go back to the public as often. It guarantees that they have tenure: "It's my right to hold office. I am the font of all wisdom." It's a lot of horsefeathers, as a president said.

I urge you to abandon this, and most particularly, the way it has been done by stealth, under the radar, trying to sneak it in. One of the deputants said, quite frankly, that if this had merit, you'd hold your head high and wave it from the roof of this Legislative Assembly, and say, "Hear ye, hear ye: We're proposing these public policy changes on how we elect municipal politicians across this wonderful province of ours." We didn't do this. We snuck it in. I only found out because somebody called me, and then I got a copy of the bill and went to the appropriate page and there it was—that deadly poison pill, another anti-democratic move.

I urge you to do the right thing and abandon this or, if not, introduce it as stand-alone legislation and, as in days of old, have your MPPs take it out to their constituencies and ask the people what they want, because ultimately the government belongs to the people, whether it's you, whether it's in Ottawa, or certainly at city hall. Thank you.

The Chair: Thank you for your presentation.

That concludes this morning's business. I would remind persons that they do have a copy of our 11:30 presentation for all committee members.

Mr. Hudak: Excuse me, Chair. I know we're out of time. Ms. Ambler has arrived. I know we have a written presentation, but I want to thank her for coming forward. I know traffic is tough. I suspect we don't have time to hear from her, but I do want to thank her for making a presentation.

The Chair: Regrettably so. I appreciate her attempt to be here on time, traffic notwithstanding, and appreciate the timeliness of all other presenters this morning.

Mr. Arnott: Just to very briefly address that point, I've had a chance to review Stella Ambler's presentation and she is clearly opposed to section H of the bill.

The Chair: Thank you. The committee is recessed until following routine proceedings this afternoon.

The committee recessed from 1159 to 1515.

The Chair: The standing committee on finance and economic affairs will now come to order. I believe each member of the committee has a package of amendments numbered 1 through 15. We'll begin with those this afternoon.

They're numbered, and we'll begin with number 1. It's a PC motion. Any comment?

Mr. Hudak: Just before I discuss the motion, I would like to inquire if we've had any responses from the

parliamentary assistant to my earlier request for research information, or through legislative research?

The Chair: I'd ask you to repeat that. I was speaking with the clerk.

Mr. Hudak: No problem. I was just wondering if we've had any chance of legislative research responding to the questions I tabled earlier today. I know my colleague the parliamentary assistant has been very hard at work on behalf of the Ministry of Finance and may also have some information to table with the committee before we consider amendments to the bill.

The Chair: I'll ask the clerk first if we have anything from research.

The Clerk of the Committee (Mr. Douglas Arnott): I've not yet received anything from research. I do understand that the researcher was hoping to be here at about the start of the meeting to find out if any information had come in or to bring any information she had received, but I've not received any.

Mr. Hudak: Thank you. I know that the timelines were extremely tight. Unfortunately, they were the same timelines put upon us in the opposition to provide amendments to the bill due to the time allocation motion that the government brought forward the other night.

I would wonder, to the parliamentary assistant, if the staff of the Ministry of Finance has provided any answers to the information I requested.

Mr. Arthurs: I can provide a little bit of information for the benefit of Mr. Hudak, but I think I'd like to put it in the context of a couple of questions he asked. There are technical questions that research is doing work on, things around jurisdictions that have different structures and different terms, and I appreciate the fact that research will be doing that. On those technical matters that would be directed to the ministry, they were doing some work on that and I presume they'll provide us with something, and we'll get it to you from the ministry side at the earliest opportunity.

On some of the questions, though, that were directed to me, reference to issues such as the nature of the debate when both the minister and myself spoke to the matter, I can't speak specifically for the minister, but I think I can safely say that we were focusing our comments on those elements of the budget bill that were the focus of the bill: infrastructure investments, health investments, education investments, those that were having a direct impact in all of those contexts. It being a large bill—the budget being an intense amount of activity, and with limited time—there simply wasn't time to cover all of the matters that one might find in a budget bill.

1520

I can tell you, though, that as to your questions around the consultations and the information that was available for the purposes of moving forward in this matter, I think it's more than fair to say that the Premier, at ROMA, after some consideration, made an announcement around what our intent would be. This was the first real opportunity to bring the matter forward, to address the matter for this coming municipal election sequence. We have a

lot of trust and faith in our municipal partners, primarily, and we used that resource that they undertook, in effect, through AMO, and through the city of Toronto as Ontario's largest city and not currently a member of AMO; we used that partnership as the best outreach we could find that would be able to get to the core of the matter.

We've heard from the deputants this morning, all of those talking about local government being close to the people. It was our view that the best way to consult on this matter was to have those who are close to the people doing, effectively, the consultation through their processes. You know there were a number of resolutions that came back from municipalities, in addition to the response to the AMO circulation, and there were differences in those responses—you know the percentages—but the various resolutions that came back would have gone to committees and councils, but had to go through a formal public process that is, from that standpoint, available, publicly open, as the deputations talked about. That's the part of government that's most open to people, where you can go into committee and the like. We believed that the opportunity for getting the best advice we could was through those who are close to the people.

I have to say that it was in 1999 that the Fewer Politicians Act was introduced some time in December. Within about 20 days, with time allocation, without public hearings and just before Christmas, it was approved by the former government, certainly without the level of opportunity for municipalities, at that point, to be able to even explore their responses with their constituents.

Those are some of the activities that have been undertaken on the government side to take into account what we feel is good advice from those who are in the best position to be able to seek the inputs from those close to the people and from the standpoint of the ongoing debate around the matter. Our core focus during the budget debate was on those elements of the budget, infrastructure and others, that have the most direct impact on individuals on a day-to-day basis.

Mr. Hudak: I thank my colleague for responding to my earlier questions. A couple of things I just suggest in return: He said you're looking for input from those closest to the people, which you can use from time to time as a proxy, but if schedule H were taken outside, as a bill, it would give us an even better opportunity to take it directly to the people, as opposed to, as he described it, those closest to the people. In fact, of those who came forward and spoke in favour of the bill during our very limited public hearings today, there were a couple of municipal councillors and Ann Mulvale, in her capacity as past chair of AMO. So we heard from a couple of representatives from the municipal sector.

Aside from that, the people, if you will, those taxpayers who were not representing a municipal council per se, were universally opposed to schedule H being included, in fact buried, in a budget bill. While my colleague says that he and the minister spoke to the infrastructure and those types of issues that were part of the

finance portion of the bill, what the government chose to speak about is in complete disagreement, actually, with what we heard today. I note for the record that every individual or group that spoke today spoke about schedule H exclusively. We had a submission from the Ontario Federation of Agriculture that spoke about some larger picture issues from their perspective, but otherwise, everything else has concentrated on schedule H, including each of the deputants here today.

What I'm going to suggest, and I hope my colleagues will support me in this, and I remain optimistic, is that we take schedule H out of the bill, that we let the rest of the bill stand as a finance bill. Take schedule H out of the bill and have it stand alone as a bill in the Legislature and then open it up to public hearings. Then we can hear from those closest to the people, and we can hear from the people themselves directly how they feel about reducing the frequency of municipal and trustee elections.

My colleague and I have spoken about this, and I think my colleagues here on the Conservative side feel that that's the appropriate way to move forward and would reflect what we heard during the deputations today.

The Chair: That can come up under clause-by-clause.

Mr. Hudak: Sure, it can.

The Chair: And should.

Mr. Hudak: Hopefully, we'll have the opportunity in the Legislature as well to have a motion that would sever schedule H from the bill. We might defeat schedule H, I don't know, but if it fails in committee, we do have the opportunity in the House or through the Premier to sever off schedule H. I hope my colleagues will support us in that and reflect what we heard in the deputations.

Now I've spoken too long. If my friend and colleague Mr. Duguid, the parliamentary assistant to the Minister of Municipal Affairs and Housing, had been here, I was going to ask him why the Minister of Municipal Affairs and Housing or the parliamentary assistant to the Minister of Municipal Affairs and Housing did not take the opportunity to speak to schedule H, which is part of the finance bill, during second reading debate or during introduction of the bill. If he comes back, I'll return to that, Chair.

The last thing I wanted to do, just as introductory comments, is to read into the record—I know members have received these letters but I think it's important for those reading Hansard—that municipalities are not universal in this respect and there may be a different view between larger urban centres and some of the smaller communities. For example, the Corporation of the Town of Hanover has—

The Chair: Mr. Hudak, can we bring up these points under clause-by-clause?

Mr. Hudak: I am, Chair.

The Chair: Oh. In that case I would like to inform you that the clerk has informed me that I was one step ahead of myself, and I want to retract moving to the particular motion you were talking about. I'm advised that what we should do first of all is ask the question on sections of the bill and then move to the schedules.

For the committee's notice, the first amendment is schedule D, the one that I assume you're talking about now. We'll watch for that. In the meantime, we should begin at the beginning, which I was not doing, and start with the sections.

So I will ask if there are any comments, questions or amendments, of which we see none, to section 1. Are there any comments?

Mr. Hudak: Let me say clearly for the record that the Progressive Conservative caucus, the official opposition, rejects the government's budgeting strategy.

We feel that as a whole, this is a government that has increased spending far too much, with an accelerated spending rate of some 9.2% on program spending this past year. Despite that rapid increase in spending, which is far beyond the growth rate of the economy, there are key areas that are not receiving the investments they deserve.

Secondly, the plight of working families in Ontario is a serious one, with Dalton McGuinty's significant tax hikes despite promises to the contrary, with Dalton McGuinty's significant hydro hikes despite promises to the contrary, higher home heating costs, gasoline, higher assessments that often result in property tax increases, and increased borrowing rates are making it awfully difficult for working families and seniors to make ends meet. Therefore we reject the budget policy of the government and as such will be voting against the budget bill.

The Chair: Further comments?

Mr. Prue: For probably diametrically opposed reasons, we too will be rejecting the budget.

Interjection.

Mr. Prue: This is always the Liberal answer: If the opposition doesn't like it, it must be right. I don't know that that holds any credibility whatsoever. But in terms of this committee's work, I don't see any reason why we just can't—there being no amendments, I certainly don't want to waste the committee's time. I'd like to go straight to the schedules. That's a motion, so in order.

The Chair: Mr. Prue has asked that we just move through the schedule; correct?

Mr. Prue: Go for it and we'll vote no and that will be the end of it.

1530

The Chair: Sections 1, 2 and 3, all in one vote? Agreed? Agreed. Then I'll ask the question. Shall section 1, section 2 and section 3 carry? All in favour? Opposed? Carried.

Now we'll move to schedules. There are no amendments to schedule A. Are there any comments? Hearing none, shall section 1 carry? All in favour?

Mr. Prue: Schedule A.

The Chair: Schedule A.

Mr. Hudak: All of schedule A?

The Chair: You want to do it that way? Well, I have to have that indication.

Schedule A, sections 1 and 2: All in favour? Opposed? Carried.

Schedule B, sections 1 through 3: Shall they carry? All in favour? Opposed? Carried.

Schedule C, sections 1 through 16: All in favour? Opposed? Carried.

Now we are down to schedule D, and we do have an amendment: PC motion number 1. Any comment?

Mr. Hudak: Should I read the motion for the record, Chair?

The Chair: Yes. Now we are where we were about 10 minutes ago.

Mr. Hudak: Okay. I'll just go directly to this motion, and I'll save some more discussion for schedule H when we receive it. With respect to schedule D, I'll move the motion.

I move that clauses 43.10(4)(b) and (c) of the Corporations Tax Act, as set out in section 1 of schedule D to the bill, be struck out and the following substituted:

"(b) 18% of the portion of its qualifying Ontario labour expenditure in respect of the production for the taxation year that relates to expenditures incurred after December 31, 2004 and before January 1, 2010;

"(c) 11% of the portion of its qualifying Ontario labour expenditure in respect of the production for the taxation year that relates to expenditures incurred after December 31, 2009; and"

The reason for this is, of course, we in the PC caucus support these tax credits. In fact, it was the Mike Harris government that brought forward tax credits to support our cultural industries, with great success, and I'm pleased to see that the current government is continuing that process.

The amendment, as it stands under the bill, would create different time frames for the two tax credits to expire: the one for domestically owned producers versus those that are foreign-owned but domestically situated, if I'm correct. So the goal of my amendment is to make those time frames the same. I just think there's a simplicity to that approach for investors so they know that it's the same expiry time. I think that would be an important signal by the government to encourage further investment in job creation in the province in film production and in our cultural industries.

The Chair: Further comment?

Mr. Prue: I don't know whether it's a comment. I think I have to ask questions.

Unfortunately, the way that this has unfolded, all of these amendments were handed to me—and I'm sure all members—during the House. I mean, it was question period. I had a question to ask of the Premier. I went straight from there to a subcommittee meeting, and straight from the subcommittee to here. I have, quite honestly, no idea what this amendment will do. I've listened to my friend, and I still have no idea what this amendment is. I don't know whether to support it or not support it. I've not had a chance to talk to our staff or those who might be able to explain what will happen with it. I don't know whether the researcher or the legislative counsel can tell us what this means, but I certainly

have no intention to vote for it or against it if I have no idea what it is.

The Chair: Further comment?

Mr. Hudak: I understand my colleague's concerns and I, of course, share them, because under the time allocation motion we had extremely tight time frames to craft amendments and then share them with colleagues, who just received them about 2 p.m. or so during question period. Of course, our resources are always limited, so we do our best.

There are two tax credits that support the industry: the Ontario production services tax credit and the Ontario film and television tax credit.

Mr. Prue: Is this the film industry?

Mr. Hudak: Exactly. The film and television industry.

One is, if I recall correctly, for domestic production of foreign-owned companies; the other is for domestic production of domestically owned companies. I'll check with staff. Right? What I'm trying to do is harmonize the time frame in which those credits would expire so both would be December 31, 2009. Under the current bill, only one is extended to December 31, 2009.

The Chair: Further comment? Hearing none, I'll call the question.

Mr. Hudak: Recorded vote.

The Chair: Recorded vote. That will be deferred, as in the time allocation motion, until all remaining questions are put.

We have another amendment to section D, a PC motion. It's number 2 in your package.

Mr. Hudak: I will beg my colleagues' indulgence. It's a bit of a long motion. I'll read it in.

I move that subsection 2(1) of schedule D to the bill be struck out and the following substituted:

"(1) Subsection 66(1.1) of the act is repealed and the following substituted:

"Capital tax rate

"(1.1) The capital tax rate for a corporation for a taxation year is the total of,

"(a) 0.3 per cent multiplied by the ratio of the number of days in the taxation year that are before January 1, 2007 to the total number of days in the taxation year;

"(b) 0.285 per cent multiplied by the ratio of the number of days in the taxation year that are after December 31, 2006 and before January 1, 2009 to the total number of days in the taxation year;

"(c) 0.225 per cent multiplied by the ratio of the number of days in the taxation year that are after December 31, 2008 and before January 1, 2010 to the total number of days in the taxation year; and

"(d) 0.15 per cent multiplied by the ratio of the number of days in the taxation year that are after December 31, 2009 and before January 1, 2011 to the total number of days in the taxation year."

The Chair: Comment?

Mr. Hudak: I think everybody followed that one.

The goal here is to accelerate the elimination of the capital tax. The Progressive Conservative caucus

certainly believes that the capital tax punishes investment in the province and discourages job creation. Members of the committee will remember that, under the previous PC government, the capital tax was scheduled to be phased out. When the new government came in, Minister Sorbara, the then finance minister, eliminated that schedule. In his subsequent budget, he brought in a much more modest schedule that I believe had the goal of eliminating the capital tax by 2012.

This Bill 81, and the budget under Finance Minister Duncan, is the third position the government has taken on the capital tax by accelerating slightly the first year of the capital tax's elimination. We are pleased to see that to some extent, although relatively minor, the government is beginning to understand the importance of lowering the tax burden on businesses and, hopefully, on working families.

I will add as another note that we saw in the Conservative budget from Ottawa that Finance Minister Flaherty eliminated the capital tax retroactively at the federal level. I hope this will put pressure on provincial governments that still have a capital tax—Ontario is probably the worst sinner in that regard—to accelerate their plans. Therefore, we've brought forward this plan, which is more aggressive in capital tax elimination, basically meaning the capital tax rate is eliminated by January 1, 2011, rather than the current schedule, which would be 2012.

The Chair: Further comment?

Mr. Arthurs: I can appreciate where the member is coming from. We're taking action on the capital tax in a very deliberate way. We've identified our targets to be able to eliminate it, subject to our fiscal capacity to do that, and that's as reflected in the budget.

The Chair: Further comment?

1540

Mr. Hudak: I just wanted to stress again—as I said, I appreciate the third position that the Liberal Party has taken on the capital taxes better than the first two, which was a very modest schedule on capital tax reduction. I would point out the importance of sending a signal to industry of sticking to one plan and sticking to the schedule.

I hope my colleagues will support my position and keep that position; otherwise, if it fails, well—I encourage you to continue to cut taxes.

The Chair: Thank you.

Mr. Hudak: Recorded vote.

The Chair: A recorded vote's been requested.

Mr. Hudak: Through you to the clerk, do I need to request a recorded vote now or just do it when we are at the actual votes?

The Chair: Now is best as we move along. Then we can keep track of all of this.

Mr. Hudak: Okay.

The Chair: PC motion number 3 is also on schedule D.

Mr. Hudak: I move that section 2 of schedule D of the bill be amended by adding the following subsection:

“(1.2) Subsection 66(1.2) of the act is repealed and the following substituted:

“No tax payable after 2010

“(1.2) No tax is payable under this part by a corporation that is not a financial institution for a taxation year commencing after December 31, 2010.”

The Chair: Comment?

Mr. Hudak: This is a companion amendment to my previous one, which was to eliminate capital tax by 2012. Basically, it complements the previous amendment on having a more aggressive capital tax elimination schedule.

The Chair: Comment? Hearing none—

Mr. Hudak: A recorded vote, Chair.

The Chair: A recorded vote's been requested.

Page 4, a PC motion also dealing with schedule D.

Mr. Hudak: I move that subsection 2(2) of schedule D to the bill be struck out and the following substituted:

“(2) The definition of ‘G’ in subsection 66(4.1) of the act is repealed and the following substituted:

“‘G’ is the total of,

“(a) 0.6 per cent multiplied by the ratio of the number of days in the taxation year that are before January 1, 2007 to the total number of days in the taxation year,

“(b) 0.57 per cent multiplied by the ratio of the number of days in the taxation year that are after December 31, 2006 and before January 1, 2009 to the total number of days in the taxation year,

“(c) 0.45 per cent multiplied by the ratio of the number of days in the taxation year that are after December 31, 2008 and before January 1, 2010 to the total number of days in the taxation year, and

“(d) 0.3 per cent multiplied by the ratio of the number of days in the taxation year that are after December 31, 2009 and before January 1, 2011 to the total number of days in the taxation year.”

The Chair: Comment?

Mr. Hudak: Similarly, this is a compendium to the previous amendments that have been moved, quite frankly, as are the next four.

The Chair: Other comments?

Mr. Arthurs: I also don't want to be repetitive in that sense to take up the additional time that might be available for other discussion, but the issue for us is the same. We think we have a fiscally prudent approach. We're heading down that road. We do have a 2010 objective, subject to our fiscal capacity to do that, and it's the government's intent to achieve that end result.

Mr. Barrett: Just to comment on making mention of a fiscally prudent approach, we're still absorbing and seeing the benefit from the federal budget that just came out really a matter of hours ago, and it includes 28 tax reductions, and with respect to capital tax, the federal capital tax will disappear this year. I think that's a fiscal approach, and that sets the bar a little higher for this present government. I just wanted to mention that when we talk about the context of a fiscally prudent approach.

The Chair: Comment? Hearing none—

Mr. Hudak: Recorded vote.

The Chair: A recorded vote's been requested,

Number 5 is also a PC motion to schedule D. Mr. Hudak.

Mr. Hudak: I move that subsection 2(3) of schedule D to the bill be struck out and the following substituted:

“(3) The definition of ‘J’ in subsection 66(4.2) of the Act is repealed and the following substituted:

“‘J’ is the total of,

“(a) 0.9 per cent multiplied by the ratio of the number of days in the taxation year that are before January 1, 2007 to the total number of days in the taxation year,

“(b) 0.855 per cent multiplied by the ratio of the number of days in the taxation year that are after December 31, 2006 and before January 1, 2009 to the total number of days in the taxation year,

“(c) 0.675 per cent multiplied by the ratio of the number of days in the taxation year that are after December 31, 2008 and before January 1, 2010 to the total number of days in the taxation year, and

“(d) 0.45 per cent multiplied by the ratio of the number of days in the taxation year that are after December 31, 2009 and before January 1, 2011 to the total number of days in the taxation year.”

The Chair: Comment?

Mr. Hudak: This is a compendium to the amendment to have the capital tax rate eliminated for a financial institution that is a deposit-taking institution by January 1, 2011, rather than 2012.

The Chair: Further comment? Hearing none—

Mr. Hudak: A recorded vote, Chair.

The Chair: A recorded vote's been requested. PC motion number 6, also to schedule D. Mr. Hudak.

Mr. Hudak: I move that subsection 2(4) of schedule D to the bill be struck out and the following substituted:

“(4) the definition of ‘L’ in subsection 66(4.3) of the act is repealed and the following substituted:

“‘L’ is a total of

“(a) 0.72 per cent multiplied by the ratio of the number of days in the taxation year that are before January 1, 2007 to the total number of days in the taxation year,

“(b) 0.684 per cent multiplied by the ratio of the number of days in the taxation year that are after December 31, 2006 and before January 1, 2009 to the total number of days in the taxation year,

“(c) 0.54 per cent multiplied by the ratio of the number of days in the taxation year that are after December 31, 2008 and before January 1, 2010 to the total number of days in the taxation year,

“(d) 0.36 per cent multiplied by the ratio of the number of days in the taxation year that are after December 31, 2009 and before January 1, 2011 to the total number of days in the taxation year.”

The Chair: Comment?

Mr. Hudak: Again, Chair, a compendium to the original amendment with respect to eliminating the capital tax for a financial institution that's not a deposit-taking institution eliminated by January 1, 2011, rather than 2012.

The Chair: Further comment? Hearing none—oh, Mr. Barrett.

Mr. Barrett: Just a comment in support: When we talk about 2011 and 2012, our federal level of government has identified 2006 as the year to eliminate capital tax.

The Chair: Further comment?

Mr. Hudak: A recorded vote, Chair.

The Chair: A recorded vote has been requested.

Page 7, a PC motion to schedule D. Mr. Hudak.

Mr. Hudak: I move that section 2 of schedule D to the bill be amended by adding the following subsection:

“(5) Subsection 66(4.4) of the act is repealed and the following substituted:

“No tax payable after 2010

“(4.4) No tax is payable under this part by a financial institution for a taxation year commencing after December 31, 2010.”

The Chair: Comment?

Mr. Hudak: A companion piece, this one obviously with respect to financial institutions. It's part of the package.

The Chair: Further comment?

Mr. Barrett: Again, I don't feel that this particular amendment is asking for that much in the sense that the federal government is eliminating the corporate surtax for all corporations as of January 1, 2008. The previous Liberal government was also going to do that, but only for small companies and medium-sized companies. I feel that the bar has been set at an adequate level at the federal level, and I would hope that there would be some discussion on this in this committee because I don't feel this kind of amendment is asking a lot of the Ontario government. Given the problems that we're seeing in the manufacturing sector alone, I would think that it's incumbent on this government to come forward with some tax breaks for companies.

1550

The Chair: Comment? Hearing none—

Mr. Hudak: Recorded vote.

The Chair: Recorded vote requested.

PC motion on page 8, also to schedule D. Mr. Hudak.

Mr. Hudak: This is section 3? Am I right?

The Chair: Yes.

Mr. Hudak: I move that section 3 of schedule D to the bill be struck out and the following substituted:

“3. The definition of ‘D’ in clause 66.1(3.2) (b) of the act is repealed and the following substituted:

“(a) 0.9 per cent multiplied by the ratio of the number of days in the taxation year that are before January 1, 2007 to the total number of days in the taxation year,

“(b) 0.855 per cent multiplied by the ratio of the number of days in the taxation year that are after December 31, 2006 and before January 1, 2009 to the total number of days in the taxation year,

“(c) 0.675 per cent multiplied by the ratio of the number of days in the taxation year that are after December 31, 2008 and before January 1, 2010 to the total number of days in the taxation year, and

“(d) 0.45 per cent multiplied by the ratio of the number of days in the taxation year that are after December 31, 2009 and before January 1, 2011 to the total number of days in the taxation year.”

The Chair: Comment?

Mr. Hudak: It's a compendium to the amendment to have the capital tax rate eliminated for a financial institution other than a credit union by January 1, 2011, rather than 2012. I think that's it for me.

The Chair: Further comment?

Mr. Barrett: That's not asking a lot.

The Chair: Further comment?

Mr. Arthurs: I was rather anticipating a comment around the recent federal budget. Frankly, it's probably a little easier to deal with some matters if one comes into government swimming in cash rather than drowning in debt.

The Chair: Further comment? Hearing none—

Mr. Hudak: Recorded vote, Chair.

The Chair: Recorded vote requested.

There are no amendments to section 4 and section 5. Can we call those together?

Mr. Hudak: Because they're not amended, we're voting now? Is that why?

The Chair: There are no amendments to either section. All in favour? Opposed? Carried.

Now we are looking at schedule E. There's a PC motion on page 9. Mr. Hudak.

Mr. Hudak: I move that the definition of “gasoline” in subsection 1(1) of the Gasoline Tax Act, as set out in section 1 of schedule E to the bill, be struck out and the following substituted:

““gasoline” means any gas or liquid, other than ethanol, methanol and natural gas, that may be used for the purpose of generating power by means of internal combustion and includes,

“(a) aviation fuel, but only when it is used or intended to be used to generate power by means of internal combustion in a vehicle other than an aircraft,

“(b) any of the products commonly known as diesel fuel, fuel oil, coal oil or kerosene, but only when the product is mixed or combined with a gas or liquid that is gasoline,

“(c) every product that is otherwise excluded from this act by the regulations, but only when the product is mixed or combined with a gas or liquid that is gasoline, and

“(d) any other substance except ethanol, methanol and natural gas that is mixed or combined with a gas or liquid that is gasoline; (‘essence’).”

The Chair: Comment?

Mr. Prue: I have a question. What has been changed here is (d), the ethanol portion. It has been removed. I need to understand why you want to remove it. I think I do understand because of number 10, because you don't want to have it taxed. Is that the rationale?

Mr. Hudak: Yes. If I could respond, I think my colleague Mr. Barrett, who certainly knows a lot more about the issue as our agriculture critic—but Mr. Prue is

exactly right. The goal here is to ensure that ethanol is not taxed. I do appreciate all of the assistance and advice, and I should say this now, and I'll probably say it at the end, to legislative counsel to help us craft these. These are obviously very complex. I also appreciate the work of Bill Moore through our PC research services. Hopefully, we have it right. We have time constraints, but I trust that we made best efforts. Again, the goal, to be clear, is that ethanol would not be taxed. We don't want to see a tax increase on ethanol, and companion amendments would ensure that the ethanol growth fund were funded through the consolidated revenue fund as opposed to a new tax on ethanol.

Mr. Prue: Ethanol is a combination, and will be at the beginning, of 95% ordinary gasoline and 5% alcohol. So that would mean that the 95% that is gas that is mixed with 5% alcohol would no longer be taxed. Is that what that means? As soon as you mix any portion of gasoline with alcohol, that portion of gasoline, that literage, is not taxed. That's what I'm trying to understand that that's what it means, or is it only that you don't tax the 5% that is alcohol? That means a whole lot of difference. I can understand not taxing the alcohol portion, but I don't believe you can take off the whole gasoline—that the 95% that's gasoline suddenly becomes non-taxable. I don't want to vote for that if that's what this means. So you have to tell me: Is it the 5% that's alcohol, in which case I'll put my hand up, or is it the 95% that's gasoline, in which case I'll keep my hand down?

The Chair: Further comment?

Mr. Hudak: I think Mr. Prue and I are on the same page on this.

Mr. Prue: I've had no discussion with my staff. This is only my own head here trying to think of this.

Mr. Hudak: Similarly, we make our best efforts in the tight time frame to craft it appropriately. The goal here—I think we know that the new requirements from the Ministry of the Environment are for the addition of ethanol to gasoline. The current budget bill is adding ethanol to the definition of “gasoline” in order to remove its taxation. We're trying to bring an amendment forward to ensure that the ethanol portion would not be taxed. So the proposed amendment would add ethanol to the list of fuels that are exempt from taxation.

Mr. Prue: But this one here says that when it's mixed or combined with gas, it's taxable. Yours leaves it right out. So that's the problem I have. I don't necessarily disagree with this, because 95% of it is gasoline. I don't want to treat it any other way, but the ordinary alcohol portion, which hopefully our farmers will produce and that will be manufactured in Ontario and that will help the engines run cleaner and all those things, maybe should be tax-exempt.

Mr. Ted Arnott (Waterloo–Wellington): Mr. Hudak's made clear what his intent is. I was wondering if perhaps legislative counsel could assist us to clarify this matter.

Ms. Catherine Macnaughton: The 95% gasoline would still be taxable. What we normally think of as

gasoline would still be taxable. The ethanol added to it would be exempt.

Mr. Prue: That's what his means?

Ms. Macnaughton: Yes.

Mr. Prue: Okay. That's fine.

The Chair: Further comment?

Mr. Barrett: Again, I think, the big picture: For the last 20 years, ethanol itself has been exempt from the fuel tax. That has provided, over the last 20 years, for ethanol being competitive with regular fuel that does not contain ethanol. By eliminating this exemption of taxation on ethanol itself, it is no longer competitive. The intent is, by eliminating that tax break, to take that tax money and put it into a special fund to give to ethanol producers. We favour that special fund, but we don't favour eliminating the tax exemption on ethanol.

The Chair: Comment?

Mr. Hudak: Recorded vote.

The Chair: A recorded vote's requested.

Still with schedule A, PC motion, page 10. Mr. Hudak. 1600

Mr. Hudak: I move that schedule E to the bill be amended by adding the following section:

“1.1 The act is amended by adding the following section:

““Ontario ethanol growth fund

““32.2 In fully funding the 12-year \$520-million Ontario ethanol growth fund, the minister shall not use any funds obtained by imposing tax under this act in respect of the consumption of ethanol.””

The Chair: Comment?

Mr. Hudak: Again, as my colleague from Haldimand–Norfolk–Brant indicated, we support the concept of an ethanol growth fund. We want to make sure that that funding comes through the consolidated revenue fund as opposed to actually taxing ethanol, as Bill 81 proposes to do.

The Chair: Further comment? Hearing none—

Mr. Hudak: Recorded vote, Chair.

The Chair: A recorded vote's requested.

That completes amendments to schedule E.

There are no amendments to section 2. Shall section 2 carry? All in favour? Opposed? Carried.

Now we move to schedule F, a PC motion on page 11. I've had the opportunity to review the proposed amendment and conclude that it is beyond the scope of schedule F and beyond the scope of Bill 81. I must therefore rule that the motion is out of order.

Mr. Hudak?

Mr. Hudak: I move an amendment to schedule F. Schedule F is on the table?

The Chair: I'm ruling that the motion to schedule F on page 11 is out of order.

Mr. Hudak: I understand. I propose to move an amendment to schedule F. I have a new amendment, a new motion to amend.

The Chair: The amendments had to be in by 12 o'clock. We cannot amend it now, under the motion from the House.

Mr. Hudak: Chair, on a point of order: The amendment brought forward by the PC caucus has been submitted to members. It reads as follows:

I move that schedule F to the bill be amended by adding the following section:

"0.1 The act is amended by adding the following section:

"No Ontario health premium after 2011

"2.3 Despite subsection 2.2(1), no Ontario health premium is payable by an individual for a taxation year ending after December 31, 2011."

The goal of this amendment would be to limit the health tax, as the Progressive Conservative caucus said it would do if it were in government within the first year of a John Tory mandate. We all know that the health tax was—

Mrs. Carol Mitchell (Huron-Bruce): Oh, come on.

The Chair: Order.

Mr. Hudak: Mrs. Mitchell apparently hasn't heard that before. I guess I'll have to say it more often in the Legislature.

Dalton McGuinty, when he was in opposition, said he wouldn't raise taxes but then brought in, early in his mandate, a health tax that could impose up to \$900 per working person in the province of Ontario; a punishing new tax. Ironically, while the health tax money flowed into the consolidated revenue fund, we actually saw services delisted from OHIP simultaneous to the tax coming in.

That's why we've brought the amendment forward, Chair. I'd just like to inquire as to why the amendment was found to be out of order.

The Chair: You're asking why it is out of order?

Mr. Hudak: Yes.

The Chair: The amendment is beyond the scope of schedule F and beyond the scope of Bill 81. Therefore it's out of order.

There are no further amendments to schedule F, that one being out of order. Shall sections 1 and 2 carry? All in favour? Opposed? Carried.

Shall schedule F of the bill carry? Carried.

As we move through these, there are no amendments to schedule G, sections 1 and 2.

Mr. Hudak: Debate on schedule G: We tried to understand exactly what schedule G does, and I did bring this up in debate, requesting more information on schedule G. I haven't heard yet, so is it possible to hear from one of my colleagues opposite, whether it's the parliamentary assistant or otherwise, exactly what schedule G is supposed to do? If schedule G passes, what will this mean for the Ministry of Natural Resources?

Mr. Arthurs: I can't tell you right at this moment. We have some staff, and if they would take a moment or so to undertake, before we get to the balance, to provide some response—unless they're prepared to at this point.

The Chair: Is there anyone—a request was made for an explanation of schedule G.

Mr. Arthurs: Which is the MNR portion. If you have something for us right now, that's great. If not, if the

member would undertake to wait a bit, we'll certainly try to get back to him.

The Chair: Have a seat anywhere there, and please identify yourself for Hansard.

Mr. Stuart Davidson: Hello. My name is Stuart Davidson. I'm legal counsel with the Ministry of Natural Resources.

In terms of what schedule G will do, it will enable the Minister of Natural Resources to offer financial assistance in the form of grants for the development of natural resources or the management of natural resources. Right now, there is a technical legal issue about whether there's actual legal authority for the minister to issue grants. It's part of a legal debate. Some legal counsel take the view that you can only do what's specifically authorized by statute; others say that there may be some power as part of the crown's prerogative, if the crown is a natural person, to actually do that. In order to clean it up so that there would be no legal debate, my understanding is that the government of the day has decided that we'll just specifically set it out in statute so that there's no question.

Mr. Hudak: Thank you very much for the response and taking the time to be here today. Can you give me an example to help understand why this has been a problem?

Mr. Davidson: It hasn't as yet been a problem, but up to this point the ministry hasn't actually issued grants or financial assistance of this type. This is a new piece of business for the ministry, so we wanted to make sure that it was clear. We compared other statutes in other ministries where there was grant-making authority. There usually is specific grant-making authority. If you look at the acts relating to the Ministry of Economic Development and Trade, they have specific statutes. The same with OMAFRA legislation; it has specific grant-making authority to provide aid to farmers and other agricultural activities. So as we've moved into this area, we wanted to make sure that we had clear legislative authority.

Mr. Hudak: Just a last question: How is it related to the budget? I'm just curious why it's part of the budget bill if it's a clarification issue.

Mr. Davidson: My understanding is that, as part of the budget, the government was committed to helping to promote the forest sector. There's a forestry futures prosperity fund, and that's where this kind of fits in.

Mr. Hudak: Great. Thank you very much.

The Chair: Thank you. Further comments to schedule G? Hearing none, there are no amendments, as mentioned, to schedule G. Shall sections 1 and 2 carry? Opposed? Carried.

Shall schedule G of the bill carry? Carried.

Schedule H: There's a PC motion on the page numbered as 12. Mr. Hudak.

Mr. Hudak: I move that subsection 4(1) of the Municipal Elections Act, 1996, as set out in section 1 of schedule H to the bill, be struck out and the following substituted:

"Regular elections

"(1) A regular election to fill offices shall be held in 2006 and in every third year thereafter."

1610

The Chair: Comment?

Mr. Hudak: I think my colleagues know the position that the Ontario PC caucus has taken: We consider that any change to the municipal election cycle to reduce the frequency of elections should have a full public consultation, whether that's municipal councillors or school board trustees as well.

We do find it a very unfortunate practice that the government included schedule H as part of the budget bill, effectively burying this initiative among financial schedules. We also found it passing strange that neither of my colleagues opposite, the parliamentary assistant for finance and the parliamentary assistant to the Minister of Municipal Affairs and Housing, nor their ministers, took the time to explain why this was part of the budget bill during debate in the House.

In a nutshell, the view is that schedule H should be severed out as a stand-alone bill. Let's take it directly to the people of Ontario through consultations to see what they have to say. During his campaign, Dalton McGuinty promised to taxpayers that they would determine how elections are executed in the province of Ontario. I think that when he was speaking to citizens of Ontario, he meant more than simply those who are part of his cabinet. I do hope I have my colleagues on side to separate schedule H and to have fulsome debate about it in the Legislature and public hearings.

It's always challenging to find an amendment that would do so. In reality, it'll probably have to take place in the Legislature itself, or a decision by the Premier, quite frankly. But what this does effectively is that it's a place-holder to have debate to ensure that if schedule H does pass, it's amended to maintain the status quo, I hope, and then gives the government the opportunity to bring forward another bill for public consultations to reduce the frequency of local elections, if they so choose.

The other thing I wanted to add to the debate—I was speaking to this earlier on—is, as we all noted, those few who were able to come before committee today who were not municipal councillors all spoke quite strongly against schedule H being included in the bill and sought some form of greater public consultation in changing the terms of office for municipal leaders and school board trustees. There is a difference of opinion as well among municipal councillors. I'm pleased that Councillor Walker of the city of Toronto had a chance to share his views. John Sewell, a former municipal politician as well, took a very contrary position to the other councillors who have come forward from the city of Toronto. I respect all of their views. They have a great deal of experience individually and certainly as a group. That having been said, I think consultation should go beyond politicians, directly to the people.

I did want to add, for the sake of the record, that members have received at least these letters. The Corporation of the town of Hanover has sent in a submission showing their opposition to the proposed changes to the Municipal Elections Act that would extend the term of

office to four years. To quote from Mayor Bob White's letter, "In smaller municipalities, a high percentage of councillors have full-time jobs. Asking them to commit to an additional year will likely result in a smaller number running for public office. This could result in only retired or self-employed citizens becoming candidates. Four-year terms are more appropriate for large urban centres."

Similarly, we have a letter from the warden for the county of Grey, Warden Pringle. Similarly, they bring forward the concerns on behalf of the council of the county of Grey on the terms, saying that they support the current three-year term of office for municipal councillors and school board trustees.

No doubt it would be an interesting debate on whether there is a difference between the larger urban centres and the smaller rural communities about the term of office. I know, in consulting with my local municipal leaders, that there has been a mixed reaction. Some favour the four-year terms; others prefer the status quo. We did hear from some politicians as well, specifically Mr. Sewell, who talked about a two-year term. Nonetheless, I think it would be an important debate to have and see if this question about urban versus rural is widespread or if it's simply contained in the letters and the debate that we had here today.

The last thing I'd like to add too is that we all have constituents who come to us all the time that we're in our ridings, whether in offices or at various events. From my recollection, in my 11 years in office I don't think I've had a single taxpayer come forward and say they wanted to see an extension of terms, for any public office, whether it's local, provincial or federal. In fact, if they say anything, it's the opposite. If they want to see changes, it tends to be fewer politicians and term limits. Maybe my reading is incorrect, and I would say again that I think we should have full and broad public consultations on this initiative.

That's why I brought forward this amendment; that's the intent of that amendment. I hope I'll have the support of all my colleagues so that we can have true consultations on this initiative proposed by Premier McGuinty.

Mr. Arthurs: I want to follow up on the earlier questions Mr. Hudak had during the morning session. There were some matters I mentioned at the beginning of the afternoon session, but there are some that ministry staff have reinforced or added to that I think might be helpful in the context of the discussion. I failed to pick up on them earlier. The budget document itself made reference to the extension from the three-year to the four-year term. It was in that document, as well as in the bill. So in a formal way, as early as the end of March, the middle of March, when we came back it was referenced in the document itself.

There are issues around ensuring that the municipal politicians and candidates have some certainty in their planning, as well as the capacity for them, for this coming term of office, to have this in place within an appropriate and effective time frame. This was the first

opportunity to introduce the matter. This was the first bill that was introduced upon the return for the spring session. It was as expeditious as one could be to provide an opportunity for us to engage in that process. The opposition has picked it up in the bill, and I think you probably picked it up in the budget document, I would suspect, as well as in the bill, in the section on building strong communities.

There were some questions about what the consultation was. I made reference to AMO and our municipal partners. I want to step back briefly. In December 2004, the municipality of Clarington, which happens to be in Durham region, Mr. O'Toole's riding, passed a resolution asking the province to amend the Municipal Act to four-year terms and circulated that. Since then, there have been, I believe, some 47 municipalities that have endorsed that resolution; six have opposed it. The Federation of Northern Ontario Municipalities has also written in support of the amendment. There's certainly been some outreach going on well over the past year. It's not brand new. It hasn't happened in the past few weeks or months.

Mr. Hudak also asked what jurisdictions in Canada and the US have changed municipal terms and what they might be. I expect leg research will be in a better position to provide a more fulsome response to that question, but MMAH staff did a survey of jurisdictions in Canada, the US, the United Kingdom and Australia, and they found four-year terms were reasonably common, including the provinces that were mentioned earlier today: Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia and Quebec. The United Kingdom uses four-year municipal council terms, as do some Australian states. In the US, it's not uncommon to find four-year terms in municipalities as diverse as New York, Detroit and Apple Valley, Minnesota. It's not a unique situation—

Mr. Hudak: Not Apple Valley.

Mr. Arthurs: Apple Valley, Minnesota, there you go. If you want the full scale, from New York to small, rural—I presume Apple Valley fits in the context of small or rural municipalities and not the big cities.

Nonetheless, some work has been undertaken in reviewing what other jurisdictions undertake to do in regard to municipal activity. So it hasn't been done in what one might say is a complete void of searching out and seeking out activities in other jurisdictions. I hope that's helpful in responding to some of those questions you had earlier. Ideally, with leg research on those matters that might better be suited to them to give a more fulsome response, you'll look forward to those responses as will members of committee.

Mr. Arnott: I'm proud to represent the people of Punkeydoodles Corners in the Ontario Legislature. They reside in the riding of Waterloo–Wellington. I haven't been able to consult with all of them on this particular issue.

Mr. Barrett: How many are there?

Mr. Arnott: There are about 6,000 in Punkeydoodles Corners. I've had a chance to consult with our municipal

colleagues in Waterloo–Wellington, and like Mr. Hudak, I sent out a letter to each of them asking the councils for their view on this issue, and if the councillors wished to respond independent of their council, I invited opinion from all of them. There was a mixed bag of responses. Quite a number of councils felt it should be left at three years and some favoured the extension.

1620

I was present in the room when the Premier dropped this bomb on February 21 at the ROMA-Good Roads conference. He started off his speech with the announcement. Of course, he didn't announce it in the Legislature; he announced it to the people at that conference before he brought it into the Legislature. There was a noticeable gasp in the room. People were quite surprised that he would announce this particular measure.

I believe that insufficient consultation has taken place on this issue. I also think that our party was quite right when we advocated for severing this schedule H out of the bill so that it would be a stand-alone bill so it could be further debated in the Legislature and further discussion would take place before members take a position on it. I think the presentations that were before the committee this morning were very interesting, and those who were favouring the maintenance of the status quo, in other words, a three-year municipal term, were quite effectively arguing in favour of the public interest and the need to ensure that democracy is enhanced. The idea of more municipal elections as opposed to fewer, in their view, would allow for greater participation by residents and ratepayers in the political process.

Again, I would hope that members, even though I'm not subbed into this committee—I'm here because I'm interested—will give consideration to supporting this amendment that's been brought forward by Mr. Hudak.

Mr. Prue: I'm going to support this amendment, the following amendment, my amendment, whichever one might be successful. They're all slightly different, but they're all for the same rationale. Throughout this committee's process, we have been referring to the parliamentary assistant, Mr. Arthurs, because this is the budget bill. But I do note that Brad Duguid is now the parliamentary assistant so designated when we got to this section, and it seems logical because this is not a budget measure, yet it is contained within the budget bill. I guess I have to direct it to him because this is, in fact, something that belongs before the Ministry of Municipal Affairs and Housing.

This was hidden. I listened to Mr. Arthurs and, with respect, if you search the bill hard enough, you could find the reference. I want to tell you that when the finance minister stood up and spoke about this bill as it was being introduced, there was no mention whatsoever that schedule H was contained within it. When he stood to speak to the issue, there was no mention. When you stood to speak to it, there was no mention. In fact, it wasn't until I started to do research in order to do the leadoff that it came to my attention, the schedules at the back and what they contain. Some of them are very

controversial, some are not, but this one certainly caught me right out and caught me completely by surprise. I had told people on the phone from the city of Toronto who had contacted me that there would be a full and fulsome debate, that it would be contained within a bill related to municipal elections and that I expected it in the House sometime in the spring or early fall. When I gave them that information, this had already been out and nobody knew. Quite frankly, no one knew.

In the Legislature, in a taunt, although I didn't see it recorded in Hansard—and you know how things fly back and forth every day in question period—when someone stood up to complain about this, the Minister of Health retorted, “We were so good at it, it took you two weeks to find it.” He was absolutely right. It was a perfect retort, and he was absolutely right in what he said. It was hidden so well it took the opposition and everyone else two weeks to find out that it was there. I don't think that's how public policy should be done, and certainly you heard people here today say that.

The rationale that's given is that AMO and Toronto supported this. I have to tell you, first of all, the AMO—I wondered how they did it, until finally, today, at the last moment, I was handed the AMO survey from the town of Collingwood, which they had sent to this committee. I'd not seen it before. They appended to their motion, saying that they agree, that the council supports a four-year council term. The actual AMO survey—it's the first time I'd ever seen this as well. I ask members to look at what this AMO survey is. It's on two pages, and it relates to the bill which was setting a firm date for the provincial election. It had to be returned more than a year ago, March 1, 2005, and was to do with the fixed term of office for a provincial election. That was the purpose. Six questions were asked, two in two parts. Should it be lengthened from three to four years, in which case this particular municipality voted yes. If you don't vote yes, then you have to skip down to question 3, because the second one is on the upper- and lower-tier municipalities and question 2(b) relates to the region or the county.

Question 3 was very interesting. The government didn't take any action on this. “Does council believe municipal elections should be planned to occur in the same year as provincial elections?” This particular municipality voted no, and I don't know what the results of anything else was, but certainly this government took no action on that.

Question 4: “Would council be in favour of changing the time of year when municipal elections occur?” Collingwood said yes, and they wanted September. I didn't see the government taking any action on this, nor do I know what other municipalities said.

Question 5: “Does council think school boards should be elected at the same time as municipal councils?” The answer here was yes, and I don't think that was changed.

Question 6: “Would council be in favour of lowering the voting age from 18 to 16?” The answer was no.

In all of this, there was no requirement for the council to have held a meeting. There was no requirement for the

council to have held a formal vote. This was a survey. This was not a vote of the council. It has no binding weight and effect. It is a survey. I don't know who filled it out. I don't know whether all members of council were consulted, whether the mayor did it, the clerk did it or some interested citizen did it, but it certainly should have no legal weight.

In terms of the city of Toronto, you heard what Mr. Sewell had to say, and I believe he is absolutely correct. There was no public consultation whatsoever, because there was a rush to get the information in prior to Bill 53 so that the city of Toronto could be said to have some kind of policy.

Throughout all of that, the people who were surveyed were elected representatives. Even then, only 47% of the municipalities responded. Those elected representatives, with the greatest of respect to them—and I was a municipal councillor as well as a mayor for a good long time, as were Mr. Arthurs and Mr. Duiguid. Ms. Sandals was on the school board and Carol was a reeve. Most of us have been there. Jim Brownell was the mayor.

Most of us have been there, and we know full well that in that kind of elected position, just like in this kind, you want to extend your term as long as possible for your own reasons. Elections are tough, they cost money, they're heart-wrenching and you could lose. It's not a surprising position to me at all that municipal politicians want a four-year term, but what has been left out in all of this are the citizens and the press. In the last couple of days, we've heard from the citizens, who are starting to mobilize, and certainly, if you read the Toronto papers—the Toronto Star, the Sun and the Globe and Mail; Mr. Barber has been savage on this—I wonder why the government wants to proceed. I wonder what mileage in terms of public policy is going to be served by this government hiding this and now rammig it through with closure and probably passing it here today in committee. It seems to me that is just not how public policy should be done.

We've also had, since they've arrived, Mr. Walker, who stated that he has sufficient councillors' votes to bring this up before the city of Toronto council and he is going to be requesting a referendum to enshrine this in Toronto. We also have a very detailed and good letter from Jane Pitfield, a councillor in the city of Toronto who is a candidate for mayor, outlining her concerns, which are very valid and spread out in three major sections. We have a potential candidate in Brampton giving her reasons. We have ratepayers' associations. We literally have everyone else in opposition.

I believe the government is doing the wrong thing if it passes schedule H. I don't know whether you can vote for 12, 13 or 14 or whether you will take it to the House or whether you will have it passed but not signed into law by the Lieutenant Governor, but you have to do something. You cannot get the public as angry as I believe they are going to get on this issue, because you have completely bypassed what citizens want. Citizens want more democracy, not less. They want something that you

ran on in the last election. I want to tell you, if you pass this, there is going to be no credibility whatsoever to the whole citizen process on how we vote in this province. There's going to be no credibility on your government renewal of democracy in this province. There is very little now because of the minister's statements, actions and lack of action over the binding referendum by which your party agreed to be bound in Kawartha Lakes. You tore that up and now you're doing this. Then you're going to ask all of us to support a government initiative to possibly change how we vote, and you won't even agree that that's going to be binding either. I don't know what the joke is here; I don't know what it is. All I can tell you is I'm getting angrier and angrier at this government's complete denial of democracy. This is probably one of the worst things that I have seen to date.

1630

I will be voting no. I think all of you have to search your hearts, even if you're going to vote yes today, to find a way before this goes to third reading to have the minister or the Premier or somebody else withdraw it.

The Chair: Further comment?

Mrs. Liz Sandals (Guelph-Wellington): I think maybe it's worthwhile to comment that on the AMO survey, if you read the covering memo, it does explain the process. The clerk says, on behalf of the council of the town of Collingwood, "After discussion at a regular meeting of council," which would imply one of which the public was duly notified, "held February 28th, council agreed and recommended the compiled results be submitted as attached." So what the memo says is that the survey was discussed and mutually agreed on by the members of council, who then said to submit the survey.

Mr. Prue: What does council say? They didn't say there was any meeting.

Interjection.

Mr. Prue: What did the other one say?

Mrs. Sandals: I think the implication in responding to the AMO survey that somehow people were sneaking around in secret meetings and one person followed it in—I pulled the Collingwood one because the member indicated that there's no indication of how that was arrived at. In fact, it's explained very clearly in the covering memo that this was done at a regular meeting of council and was approved by council. So I don't think we should automatically assume that all those municipalities out there are incapable of doing things in an appropriately democratic manner when reaching decisions on what their positions are.

However, what I really wanted to comment on was a number of the allegations, I guess you would say, that we heard this morning from people who said that going to a longer term, from two years to three years, had produced more acclamations and disinterest in elections. I can only go on the basis of school board elections, but this is something that I actually looked at quite carefully. The point at which the disinterest in school board elections occurred—the declining vote, the increased number of acclamations—was in fact the point at which the

previous government enforced school board amalgamations and decreased the number of trustees dramatically, which meant that there were more electors per trustee and therefore a larger area in which to run and, coincidentally, dramatically reduced the honorarium. When you look at the results in the following election, there was in fact a dramatic decrease in the number of people who wanted to run for public office. It had nothing to do with the length of the term and had everything to do with that fact. I talked to a lot of people who decided, as incumbents—which, as many people know, at a municipal level election, tends to put you in an advantageous position—not to run again, and one of the deciding factors was that they had simply done the math and decided that if you looked at the honorarium over three years, it actually wouldn't even pay for the cost of running the election, given the number of electors they had to reach.

If you look at the city of Toronto, for example, people needed to run an election campaign the size of something like in a provincial riding, but yet were expected to do that on a \$5,000 a year honorarium. I would submit that some of these allegations, at least in the school board sector, around length of term causing disinterest were just simply not true. When you looked at the data, it was that combination of more electors and lower honorariums that had a very large impact.

I would hope that this might increase interest, but I don't think the idea that if you have more elections, somehow that's going to increase interest—that wasn't in the school board sector. When you look at it, that wasn't what was going on at all. It was something quite different that led to the disinterest.

The Chair: Further comment?

Mr. Hudak: I would say to my friend Mr. Arthurs, thank you for getting a response back to me. It's always good to hear—I always enjoy your presentations. As part of the debate at second reading on schedule H and Bill 81, I think we would have felt much more at ease had at least some modicum of debate taken place from the government benches on schedule H, because as my colleague Mr. Prue said, it looks awfully sneaky the way this was buried in a finance bill without any genuine public consultations on an initiative that reduces the frequency of local elections and runs contrary to what Premier McGuinty promised when he was Leader of the Opposition. I know that's not surprising to my friends across the way, but it's always expected to keep at least one or two promises once in a while.

Maybe I'm wrong. I'd ask my friend, the parliamentary assistant, maybe he could point out in the Liberal platform where he indicated he would reduce the frequency of elections at the local level.

Mr. Brad Duguid (Scarborough Centre): Members opposite have been waiting for me to—

Mr. Hudak: In rapt anticipation.

Mr. Duguid: I don't know if it was rapt anticipation but anticipation nonetheless to hear a few comments from myself.

Michael Prue said that most of us had been there, and it's true, many of us have. I find it strange—I don't know whether it's something about Queen's Park—that members, when they've been here for a while, even though they've been in municipal office, seem to somehow develop views that municipal politicians aren't our equals, that somehow or other municipal representatives don't have the same level of credibility that we have, that somehow municipal politicians aren't quite as capable as we are of being accountable, or are not quite as capable as we are of making important decisions. It strikes me as odd because we also recognize that they're the closest to the people. I'd argue they're probably more accountable in many ways than we are, and that's not because of the three-year election terms, that's because they're dealing with day-to-day issues a lot more, I think, than other levels of government are and tend to be closer to their communities as a result.

It's almost condescending. We think we're quite capable of having four-year terms. We don't need the accountability of three-year terms. Why we would think that way, I don't know, but we just recently approved, and I think all parties supported it although I don't remember exactly, the standard four-year term for us with a set election date. If the members opposite felt that wasn't appropriate, why would they not have been up on their feet, suggesting it should be a two-year term or a three-year term for us?

I think municipal politicians are just as capable of making accountable and good decisions as we are here at Queen's Park as provincial politicians. I don't think we should be considering ourselves somehow superior to them and requiring less so-called accountability than they are.

This comes down to a good governance initiative. As somebody who has been there and experienced new regimes coming in and experienced new regimes being re-elected on local council, I can tell you that my experience is that the first 12 months, in particular of a new regime, is the orientation period. It takes that long for a new mayor and a new council to get to know the staff and develop a good working relationship with the staff and start developing good, solid, public policy.

1640

The next 12 months is when a lot of the decision-making can be made and the tough decisions can be taken and a lot of the good work can be done. At all levels of government, we all know that the last 12 months leading up to an election is what many call silly season. It's a difficult time to get work done. That's the practical synopsis of it. Good or bad, that's just the way it is. The last 12 months before an election, in an election year, it is difficult for a municipal council to take tough decisions or to get a lot done leading up to an election.

So with a three-year term you've got a 12-month period. It may be increased a little bit with a re-elected government where there hasn't been a lot of turnover, but not much. So what a four-year term will do is double that period of very effective governance and decision-making,

from that 12-month period sandwiched in between the election year and the orientation period, to 24 months, which I think will lead to better, more sensible, more rational, more accountable decision-making at the local level. I say that as somebody who has been through a number of different types of councils, both new and re-elected.

For the Conservatives to argue that somehow we should be holding more public hearings on this, Mr. Chair, I find hard to take. I know they remember the Fewer Municipal Politicians Act. I know they remember the number of public hearings they held on that. Actually, they probably don't remember because they held none. That act slashed the number of municipal politicians across this province. Good or bad, that would have had, if anything, an impact on local democracy. That would have had a bigger impact. I think the people of this province probably deserved to have a say in whether they wanted that act to take place or not. But that was the decision of the government of the day. For them to come here now, having held no public hearings at all on that particular bill, to suggest that on something like this, as my colleague the parliamentary assistant for the Minister of Finance has indicated, something that has had a tonne of discussion at AMO for many, many years, not just the last couple of years—this is something that municipal politicians have been talking about for a very long time, for the reasons I think I outlined earlier. To suggest that there hasn't been ample discussion on this I think is to be misinformed.

I can understand why my Conservative colleagues may not have wanted to go to AMO too often when they were elected, because whenever they went to AMO, they were getting hammered each and every time, at least for the last couple of years. We've had a different relationship with municipalities. When we go to AMO conferences, we have very good discussions with them and we have a very large turnout of government members at those conferences. I can tell you, the last two years you could not go to an AMO conference without a number of the municipal councillors not only passing resolutions to this extent, but talking about the need for a four-year term so that they have a little more time in between the election year and the orientation year to get work done.

I agree with them. I have full confidence in AMO and the members, the majority of members—not all. Nothing is ever unanimous, but the vast majority of municipal politicians in this province believe that a four-year term will serve them and the public well. This side has confidence in their judgment, and we're going to abide by their judgment. We look forward to moving forward with this legislation, which is in keeping with the requests that have come forward from AMO and of course the city of Toronto as well in the past.

Mr. Chair, I look forward to hearing further discussion on this, but certainly I can say from the government point of view that we feel very confident that we're moving forward with this bill. It's the right thing for the public, the right thing for municipalities and certainly something

that municipal politicians have been discussing and requesting of us for many, many years.

The Chair: Thank you. Comment? Mr. Hudak.

Mr. Hudak: I thank my colleague for his comments. I spent a lot of time with the committee and outside the Legislature at different events too. It would have made one heck of a speech in the Legislature during second reading debate on schedule H. As I said to my colleague from Pickering—Ajax—Uxbridge, I wish that had taken place.

Maybe the Premier's office and the whip locked you up and said, "We don't want Duguid entering debate on this, because we're going to try to sneak this through the Legislature." But that would have made one heck of a speech in the chamber. It's too bad you were prevented from doing so, or chose not to.

I appreciate my colleague's comments and I don't want to belabour this, because I know there are other amendments to bring forward. But if you follow the parliamentary assistant's logic to its conclusion, if he believes that municipal politicians should exercise their best judgment on the length of terms—as they do for ward boundaries, for example, or paying benefits or the number of councillors that make these decisions—then why don't you trust the judgment of Hanover or the county of Grey, who said that they want to stick with a three-year term? If you truly believe that municipal politicians can make this decision best, why not a local option?

Mr. Duguid: Do you want me to respond to that question, Mr. Chair?

The Chair: Mr. Duguid.

Mr. Duguid: There have been some who have suggested a local option. I think Toronto at one time wanted to go their own way in determining when their elections would be in terms of the time of year and those kinds of things. The difficulty we have with that kind of local option on something like this is that we're all working very hard to try to increase participation in elections. Municipal elections in particular by and large have the lowest turnout in terms of voting. If we were to have one election in Toronto, which is the centre of media attention for the most part, and another election in Hanover or wherever else at different times, the province wouldn't be in a mode where people know there's a municipal election coming. I think what you're going to have is even lower voter turnout, probably, as a result.

There are probably a number of other reasons, but to me that's the most logical reason why any kind of disparate type of election system for municipalities, where one's going at a time opposite to another, would lead to confusion. I don't think it would be in the best interest of trying to acquire the best possible voter turnout.

The Chair: Comment?

Mr. Hudak: I'll just sum up. Dalton McGuinty tries to hide behind this notion: He says, "The reason I'm doing this is because we have confidence in municipal judgment." But when municipalities are given the option to choose three- or four-year terms or what have you,

they won't give them that choice. So it is interesting that the McGuinty government believes in municipal judgment, except when they don't. That seemed to be the position expressed by the parliamentary assistant.

Anyway, I won't belabour the points. I'll proceed with the vote.

The Chair: Further comment? Hearing none—

Mr. Hudak: Recorded vote.

The Chair: Remaining with schedule H, PC motion page 13, Mr. Hudak.

Mr. Hudak: I move that subsection 6(1) of the Municipal Elections Act, 1996, as set out in section 2 of schedule H to the bill, be struck out and the following substituted:

"Three-year term

"(1) The term of every office to which this act applies is three years, beginning on December 1 in the year of a regular election."

Again, this is a companion piece; it's a placeholder. Our preference is to sever out schedule H and make it a stand-alone bill for full public consultation. Failing that, this at least maintains the status quo until another bill of such nature would come forward.

The Chair: Thank you. Comment? Hearing none—

Mr. Hudak: Recorded vote

The Chair: Recorded vote requested.

There are no further amendments to schedule H.

Mr. Prue: There's 14.

The Chair: Yes, there is; I'm sorry. NDP motion, page 14.

Mr. Prue: This is very simple. I move that schedule H of the bill be deleted in its entirety.

What this would do is maintain the status quo. Things would go on as they are. If the government wants to reintroduce the bill and have public discussion, we'll see where the public wants to go with it. Or if the government wants to leave it alone, or hold it later and have it in line with the 2009 elections, that's also a possibility. I just don't believe that it was done properly by hiding it in a budget bill. It has nothing to do with the budget. The status quo should prevail until this is done correctly.

The Chair: Further comment? Hearing none, in order to register opposition to a section or a schedule standing as part of the bill, the procedurally correct course of action would be to vote in the negative when the questions is put to a vote. It is not in order to move a motion to delete an entire section or schedule. I must therefore rule the motion out of order.

We have completed schedule H. There are no amendments to section 3 or section 4. Shall those sections carry? Carried.

There are no amendments to schedule I. Shall sections 1 to 31 carry? Carried.

There are no amendments to schedule J. Shall sections 1 through 4—

Mr. Hudak: I'm sorry, Chair. On the last couple of votes, just to make sure I understand the procedure, there were some yeas and some nays, and then you ruled "carried." There was not a vote.

1650

The Chair: That's correct.

Mr. Hudak: Is that how we're following procedure? The Chair asked for support. There were some yeas, there were some nays, but there was no vote per se to determine the number of individuals.

The Chair: There were more on this side than the other.

Mr. Hudak: I don't think all said yea. The procedure we've been following is that you ask individuals to indicate if they support or oppose that particular section and then count the hands.

The Chair: Well, we can vote en masse through sections 1 to 31. We can do each one. I'll begin again.

For schedule I, shall sections 1 to 31 carry? All in favour? All opposed? Carried.

Interjection.

The Chair: Well, the wording in front of me is otherwise.

Schedule J, sections 1 to 4: All in favour? Opposed?

Interjection.

The Chair: Shall schedule I of the bill carry? All in favour? Opposed? Carried.

Shall schedule J of the bill carry? All in favour? Opposed? Carried.

Schedule K, sections 1 through 6: All in favour?

Mr. Prue: Don't you want to know if there's discussion first?

The Chair: No, there are no amendments to it.

Mr. Prue: It's all right.

The Chair: Well, you're quite right.

Mr. Prue: I was just going to have some fun with it.

The Chair: Schedule K: All in favour of sections 1 through 6? Opposed? Carried.

Shall schedule K of the bill carry? All in favour? Opposed? Carried.

There are no amendments to schedule L. Shall sections 1 and 2 carry? All in favour? Opposed? Carried.

Shall schedule L of the bill carry? All in favour? Opposed? Carried.

Schedule M: There's a PC motion found on page 15 of your packet. Mr. Hudak.

Mr. Hudak: I move that section 1 of schedule M to the bill be amended by striking out "July 1, 2007" and substituting "January 1, 2010."

The Chair: Further comment?

Mr. Hudak: As members know, in the last couple of years the government has extended the destination marketing fee exemption to—I'm sorry, I don't know if it's December 31 but they've extended it the last couple of years. Destination marketing fees collected by hotels are used to promote tourism in the area. The government has exempted them from paying retail sales tax.

I would suggest to my colleagues across the way that instead of just doing it on these one-offs, why not extend it for a couple of years, until December 31, 2009? We are all concerned about the future of the tourism industry. We're facing potentially higher taxes through the City of Toronto Act on hospitality establishments and cultural

attractions; we're worried about the passport provisions at the border. It has been a difficult time for the tourism sector. This will at least give some certainty, for those who are involved in these destination marketing programs, that until December 31, 2009, they would not be paying retail sales tax, allowing for longer-term planning. I hope my colleagues will support this amendment to schedule M.

Mr. Barrett: Further to this amendment, I don't think we're asking a lot in this amendment to schedule M. It's part of the Retail Sales Tax Act. To just put that in the context of what federal Finance Minister Jim Flaherty has recently announced with respect to the GST in reducing it to 6%, a 1% drop—when I say he's just done this, it kicks in July 1. This is a schedule in the Retail Sales Tax Act. When you compare what the federal level of government has just done with respect to lowering GST and the impact that will have, we'll see how many low-income consumers of restaurant meals—I don't think we're asking for a lot here.

Mr. Arthurs: I'm certainly pleased that the opposition members tend to be in agreement that we are all focused on ensuring that the tourism industry is as strong as it can be. Clearly, our intent this year is to monitor and evaluate the effectiveness of this move and consult with the industry during the year to see if there's an opportunity, if it's appropriate, to extend it into further use. We just want to ensure that it's going to be effective in actually achieving what the goals would be.

Mr. Hudak: I guess they'll support it. My colleague Mr. Arnott is supportive and I think he's made some contact. I will take a chance and suggest that the tourist industry would favour the tax reduction.

The Chair: Further comment? Hearing none—

Mr. Hudak: Recorded vote.

The Chair: Schedule M: Sections 2, 3 and 4 have no amendments. Shall sections 2 through 4 carry? All in favour? Opposed? Carried.

Shall schedule M of the bill carry?

Schedule N has no amendments. Shall sections 1 through 8 carry? All in favour? Opposed? Carried.

Shall schedule N of the bill carry? All in favour? Opposed? Carried.

Schedule O has no amendments. Shall sections 1 and 2 carry? All in favour? Opposed? Carried.

1700

Shall schedule O of the bill carry? All in favour? Opposed? Carried.

Schedule P, sections 1 through 3. Hearing no amendments, shall sections 1 through 3 carry? All in favour? Opposed? Carried.

Shall schedule P of the bill carry? All in favour? Opposed? Carried.

Now, the amendments. What I'll do is call the amendment by the number on your sheets for the purpose of the recorded vote.

PC motion 1.

Ayes

Barrett, Hudak.

Nays

Arthurs, Brownell, Marsales, Mitchell, Prue, Sandals.

The Chair: The motion is lost.

Shall section 1 carry? All in favour? Opposed? Carried.

The Chair: Shall section 1 of schedule D carry? All in favour? Opposed? Carried.

PC motion number 2.

Ayes

Barrett, Hudak.

Nays

Arthurs, Brownell, Marsales, Mitchell, Prue, Sandals.

The Chair: The motion is lost.

PC motion number 3.

Ayes

Barrett, Hudak.

Nays

Arthurs, Brownell, Marsales, Mitchell, Prue, Sandals.

The Chair: The motion is lost.

PC motion number 4.

Ayes

Barrett, Hudak.

Nays

Arthurs, Brownell, Marsales, Mitchell, Prue, Sandals.

The Chair: The motion is lost.

PC motion number 5.

Ayes

Barrett, Hudak.

Nays

Arthurs, Brownell, Marsales, Mitchell, Prue, Sandals.

The Chair: The motion is lost.

PC motion number 6.

Ayes

Barrett, Hudak.

Nays

Arthurs, Brownell, Marsales, Mitchell, Prue, Sandals.

The Chair: The motion is lost.

PC motion number 7.

Ayes

Barrett, Hudak.

Nays

Arthurs, Brownell, Marsales, Mitchell, Prue, Sandals.

The Chair: The motion is lost.

Shall section 2 carry? All in favour? Opposed? Carried.

PC motion number 8.

Ayes

Barrett, Hudak.

Nays

Arthurs, Brownell, Marsales, Mitchell, Prue, Sandals.

The Chair: The motion is lost.

Shall section 3 carry? All in favour? Opposed? Carried.

Shall schedule D of the bill carry? All in favour? Opposed? Carried.

PC motion number 9.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Brownell, Marsales, Mitchell, Sandals.

The Chair: The motion is lost.

Shall section 1 carry? All in favour? Opposed? Carried.

PC motion number 10.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Brownell, Marsales, Mitchell, Sandals.

The Chair: The motion is lost.

Shall schedule E of the bill carry? All in favour? Opposed? Carried.

PC motion number 12.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Brownell, Marsales, Mitchell, Sandals.

The Chair: The motion is lost.

Shall section 1 carry? All in favour? Opposed? Carried.

PC motion number 13.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Brownell, Marsales, Mitchell, Sandals.

The Chair: The motion is lost.

Shall section 2 carry? All in favour? Opposed? Carried.

Shall section 5 carry? We can do three if you wish. Shall sections 5, 6 and 7 carry? All in favour? Opposed? Carried.

Shall schedule H of the bill carry? All in favour? Opposed? Carried.

PC motion 15.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Brownell, Marsales, Mitchell, Sandals.

The Chair: The motion is lost.

Shall section 1 carry? All in favour? Opposed? Carried.

Shall schedule M of the bill carry? All in favour? Opposed? Carried.

Shall the title of the bill carry? All in favour? Opposed? Carried.

Shall Bill 81 carry? All in favour? Opposed? Carried.

Shall I report the bill to the House? All in favour? Carried.

We are after 5 o'clock. Do you want a recorded vote for—

Mr. Hudak: I didn't have a chance to vote on the whole bill. Maybe I'm wrong, but I didn't think that would come up earlier. I didn't have a chance to request a recorded vote.

The Chair: A recorded vote is requested on this question: Shall I report the bill to the House?

Ayes

Arthurs, Brownell, Marsales, Mitchell, Sandals.

Nays

Barrett, Hudak, Prue.

The Chair: The motion is carried. We are adjourned.

The committee adjourned at 1711.

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

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CONTENTS

Thursday 4 May 2006

Committee business	F-437
Budget Measures Act, 2006, Bill 81, <i>Mr. Duncan</i> / Loi de 2006 sur les mesures budgétaires, projet de loi 81, <i>M. Duncan</i>	F-437
Association of Municipalities of Ontario	F-437
Ms. Ann Mulvale	
ThreeYears.ca	F-440
Mr. Josh Matlow	
Mr. Steve Gilchrist	
Mr. Dave Meslin	
Mr. John Sewell	F-442
Ms. Gloria Lindsay Luby; Mr. Giorgio Mammoliti	F-444
Ms. Karen McMillan Aver	F-446
Direct City Action	F-448
Mr. David White	
Joshua Creek Ratepayers Inc.	F-450
Mr. Rob Burton	
Mr. Michael Walker	F-452



F-12

F-12

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Legislative Assembly of Ontario

Second Session, 38th Parliament

Official Report of Debates (Hansard)

Thursday 1 June 2006

**Standing committee on
finance and economic affairs**

Greater Toronto
Transportation Authority
Act, 2006

Chair: Pat Hoy
Clerk: Douglas Arnott

Assemblée législative de l'Ontario

Deuxième session, 38^e législature

Journal des débats (Hansard)

Jeudi 1^{er} juin 2006

**Comité permanent des finances
et des affaires économiques**

Loi de 2006 sur la Régie
des transports du grand Toronto

Président : Pat Hoy
Greffier : Douglas Arnott



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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Thursday 1 June 2006

Jeudi 1^{er} juin 2006*The committee met at 0904 in room 230.*GREATER TORONTO
TRANSPORTATION AUTHORITY
ACT, 2006LOI DE 2006 SUR LA RÉGIE
DES TRANSPORTS DU GRAND TORONTO

Consideration of Bill 104, An Act to establish the Greater Toronto Transportation Authority and to repeal the GO Transit Act, 2001 / Projet de loi 104, Loi visant à créer la Régie des transports du grand Toronto et à abroger la Loi de 2001 sur le Réseau GO.

The Chair (Mr. Pat Hoy): The standing committee on finance and economic affairs will now come to order. We're here for public hearings on Bill 104. Our first order of business would be to have the report of the subcommittee.

SUBCOMMITTEE REPORT

Mr. Wayne Arthurs (Pickering-Ajax-Uxbridge): Your subcommittee on committee business considered on Monday, May 15, 2006 the method of proceeding on Bill 104, An Act to establish the Greater Toronto Transportation Authority and to repeal the GO Transit Act, 2001, and recommends the following:

1. That the committee meet in Toronto for the purpose of holding public hearings at 9 a.m. and 4 p.m. on Thursday, June 1, 2006.

2. That the clerk of the committee, with the authorization of the Chair, publish notice of the hearings in English or French, as appropriate, in the following newspapers: Toronto Star, Hamilton Spectator, l'Express, and le Regional Hamilton.

3. That the clerk of the committee, in consultation with the Chair, be authorized to post notice of the committee's public hearings on the Ontario parliamentary Channel and on the Internet prior to the adoption of this motion.

4. That the deadline for receipt of requests to appear before the committee be 5 p.m. on Thursday, May 25, 2006.

5. That the clerk of the committee distribute to each of the three parties on Friday morning, May 26, 2006, a list of those who have requested to appear by the deadline for receipt of requests.

6. That, if required, each of the three parties supply the clerk of the committee with a prioritized list of the witnesses they would like to hear from by 10 a.m. on Monday, May 29, 2006. These witnesses must be selected from the original list distributed by the committee clerk.

7. That the clerk of the committee, in consultation with the Chair, be authorized to schedule the witnesses.

8. That the time allowed for presentations by witnesses be up to 10 minutes for groups and individuals, followed by up to 5 minutes for questioning by committee members.

9. That the deadline for receipt of written submissions be 5 p.m. on Thursday, June 1, 2006.

10. That the research officer provide a summary of presentations prior to the start of the clause-by-clause consideration of the bill.

11. That proposed amendments to be moved during clause-by-clause consideration of the bill should be filed with the clerk of the committee by 12 noon on Monday, June 5, 2006.

12. That clause-by-clause consideration of the bill be scheduled from 9 a.m. to 11:45 a.m. and 3:30 p.m. to 6 p.m. on Thursday, June 8, 2006.

13. That the clerk of the committee, in consultation with the Chair, be authorized to commence making any preliminary arrangements to facilitate the committee's proceedings prior to the adoption of this report.

The Chair: Mr. Arthurs has moved a report from the subcommittee. All in favour?

Mr. Peter Tabuns (Toronto-Danforth): I'd just like to note that, although I have no objections to it, these minutes were modified after the meeting. I just want to have it on record that this doesn't reflect the original discussion of the subcommittee. They have been modified. I have no objection to the modification.

The Chair: Thank you. In agreement? Carried.

CITY OF MISSISSAUGA

The Chair: Now we'll hear from our first presenter of the morning, the city of Mississauga. Would you please come forward?

Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Ms. Pat Saito: Thank you, Mr. Chairman. I'm Councillor Pat Saito. I represent the city of Mississauga, and I'm also a region of Peel councillor. I'm here this morning representing Mayor McCallion and members of Mississauga council.

Joining me is Martin Powell. Martin is the commissioner of transportation and works for the city of Mississauga. He can answer all of the tough questions, if there are any, after my presentation.

I'd like to thank you for giving the city of Mississauga an opportunity to address you on this very important piece of legislation. We are strongly supportive of the provincial plans to create the Greater Toronto Transportation Authority, and we thank you for moving forward in this direction.

The GTA is a rapidly growing region with a transportation network that has been very inadequately coordinated and funded over the years, and we are encouraged that this legislation will result in an improvement in this situation.

Mississauga is the largest lower-tier municipality in the province, with a population of over 700,000 residents. We are a net employment importer, with over 425,000 employment opportunities. We are ranked third behind Toronto and Hamilton in a recent review of density in the GTA-Hamilton area. We operate the second-largest municipal transit system in the GTA, which carried approximately 28 million passengers in 2005.

The mobility needs of our community also rely heavily on the provincial highway network and the GO Transit system. Transportation and congestion are consistently identified as major issues in our annual public surveys. We have transportation problems that need to be addressed today. It is essential that the province proceed expeditiously to provide the necessary mandate and resources to seriously tackle gridlock and improve the transportation system, which is critical to the sustained health and growth of all municipalities in the GTA.

However, we do have some concerns with some of the elements of Bill 104, and it's important that we get it right before we move forward.

I would like to focus my comments on the main issues of mandate, governance and funding proposals for the GTTA.

In relation to mandate, Bill 104 outlines the broad mandate of the GTTA. However, we have some concerns regarding the following:

First, the identified GTTA divisions, which will include GO Transit, Farecard and procurement, do not include a division with responsibility for regional transportation planning. Furthermore, to achieve the mandate of the GTTA, municipal official plans should be made to conform to the GTTA transportation plan to provide more integrated regional planning rather than the other way around, as is proposed in the bill.

Mississauga advocates that the provision or delivery of services should be undertaken by the local municipalities wherever possible. However, some selected services may be more efficiently delivered across the

GTA, and the GTTA should have the responsibility for coordinating transportation research, including data collection, along with coordinating intelligent transportation system technologies, freight movement policy and travel demand management programs.

0910

The development of the GTTA transportation plan is to consider all transportation modes, including highways, cycling and walking. In addition, it is to have responsibility to advise on the implications that major development proposals have on the transportation network. However, it is not clear what the GTTA's mandate is in these areas or what tools this body will have to institute these components in Bill 104.

Mississauga has some specific concerns related to the role and mandate of the proposed central procurement agency. The act identifies that the GTTA "shall" undertake procurement responsibilities, although later sections say that municipalities "may" enter into procurement agreements. This needs to be clarified. Furthermore, there is no definition as to what constitutes "equipment, technologies, facilities, supplies and services," or the level of autonomous local control over decision-making on these items. An assessment of the benefits and risks of acquiring goods and services from a central procurement agency should be undertaken. It is essential that the integrity of the process remains competitive and ensures quality, reasonably priced results and doesn't unreasonably delay procurement deadline requirements.

Our next issue is governance. Mississauga has two primary concerns with the proposed governance model found within Bill 104. Clearly, the proposed model, which provides four members to the city of Toronto, recognizes the principle of representation by population. However, the proposed GTTA board will significantly underrepresent the residents of the city of Mississauga. Based upon population levels provided in Places to Grow, the single proposed Peel director would represent the needs of over one million residents, while the other directors would represent communities ranging from 380,000 to 760,000 and averaging 646,000 residents each. This disparity will only increase by 2011, when the single Peel director would represent 1,320,000 people, compared to the average of 762,000.

The second concern is that transit will clearly be a key focus for the GTTA, yet the proposed governance model does not allow for direct representation from the municipalities that exercise responsibility for transit in Peel region. The only transit service provided by the region of Peel is Transhelo. The city of Mississauga operates the second-largest municipal transit system in the GTA and the third-largest in the province, as I noted earlier, carrying 28 million passengers in 2005. Therefore, based upon these combined criteria, the province should make the GTTA board more representative by replacing the single proposed director to be recommended by Peel region with one representative recommended by the council of the city of Mississauga and one recommended by the council of the city of Brampton. If the province

prefers the recommendation to come from the regional municipality, then we request that it be specified that there be one appointment from each of Mississauga and Brampton. If this proposal alters the desired political balance of the GTTA board, this can be rectified through amending the number of provincial or Toronto directors.

Our last issue is funding. The GTTA has been given the responsibility to plan for a multi-modal transportation network, but does not seem to be provided with the financial resources or the tools to allow it to implement this mandate. This was the problem that plagued the Greater Toronto Services Board, and the province must ensure that the GTTA is not hampered by those same restrictions. The GTTA should become the conduit for provincial and federal transportation infrastructure funding. However, it is left unclear as to the municipal role in funding GTTA operating and capital plans. It should be clear that inter-regional transit needs should not be funded from the already overburdened property tax base.

Instead, the GTTA should be provided with broad powers to raise additional revenues by various means, including taxes, levies, toll charges, user fees and motor vehicle charges, to fully undertake their mandate. To augment funding provided by senior levels of government for the growth elements of the GTTA transportation and capital plan, including the GO Transit capital plan, development charges should be applied across the regional area using a flat GTA–Hamilton-wide fee and based upon the approved transportation plan, instead of being limited to historical service levels as identified in the existing Development Charges Act. Any annual operating surplus achieved by GO Transit should not be returned to the province but should be retained for future investment or as reserves.

In summary, Mississauga's position is that we need coordinated transit system planning and development to improve access to transit and strengthen transit links across the GTA. We are encouraged by and strongly supportive of the province's plans to create the Greater Toronto Transportation Authority. We do have concerns with some of the elements of Bill 104 and we feel it is important that we get it right before we move forward. Of particular importance is that need for a GTTA board member from each of Mississauga and Brampton.

Please consider our comments on the mandate, governance and funding for the proposed GTTA in Bill 104. Our council held a special meeting yesterday to review and discuss this very important piece of legislation and endorsed a corporate report dated May 18, 2006, which addressed in more detail the items which I have highlighted today. I believe a copy has been provided to the committee clerk.

Thank you, Mr. Chairman. We would be willing to answer any questions you might have.

The Chair: Thank you. A copy of that report will be given to each of the members of this committee.

This round of questioning will go to the official opposition.

Mr. John O'Toole (Durham): Thank you very much for your presentation this morning. I had a chance to flip through your referenced May 18 report. I think you've pretty well hit on most of the elements, the four elements. First of all, I think you'd find unanimous agreement from all parties that this is something that's badly needed. Having been part of the Harris-Eves government, there was an attempt, as you said, with the Greater Toronto Services Board to do that. I think the report, respectfully, is an honest reconciliation of what actually happened. It became overly politicized and underfunded and couldn't really execute its mandate. I think they're really stuck with the same thing here. So I appreciate that report. I think it's a very good report. I think the four areas that I've mentioned certainly would include what is the actual authority, the mandate. Of course, it's not strong enough or clear enough.

The second one, of course, is going to be the funding; again, that's going to be ongoing, and the governance. They're the three things that need to be clear.

Have you got specific references? I haven't had a chance to reconcile that. What our sense is, the way it's structured—this is sort of a statement but I'd be happy to hear from you in response in this forum or in another forum. If it becomes all politicians, it will be dysfunctional, because they have their little agreements. David and Hazel will get along, and everybody else will get nothing, and this kind of stuff will happen. My area, Durham, is underserved, if you would. In my respect, it is, and growth is there.

How about a non-partisan, non-political governance model? Is there any advice on that that you might have?

Ms. Saito: I did sit on the Greater Toronto Services Board. I was the additional Mississauga representative. So when I speak about the GTSB—Wayne Arthurs over there knows how we struggled on the GTSB because we came forward with what I feel was an excellent transportation strategy and it got nowhere because, as you said, we didn't have the funding and we didn't have the mandate to put into play that strategy.

Mr. O'Toole: But it's the same thing here. That's the problem.

Ms. Saito: And that's why we raised this issue with the funding and the mandate. As far as being—

Mr. O'Toole: What would you do to fix that?

Ms. Saito: As I mentioned in my presentation, the funding is critical. That was the biggest drawback of the GTSB: no funding.

Mr. O'Toole: Right. Raise the taxes.

Ms. Saito: Give the body the means of raising revenue. I've mentioned taxes, levies—

Mr. O'Toole: Let's be specific. I appreciate that. What money? You've got a lot of suggestions here: taxes, fees, parking permits, toll fees, whatever, because it needs money, and you either have to raise taxes provincially across everybody in Thunder Bay and Timmins, or there has to be some kind of levy coming into Toronto or something, like they do in the city of London. What

kind of money, and from where specifically? Tax the car. Will they tax the cars?

0920

Ms. Saito: You can tax the cars. You can raise it, as I mentioned, through the toll charges. I'm not sure that's much of an option at this point in time. But our feeling is that it should not be coming out of the property taxes for inter-regional transportation systems. We are—

Mr. O'Toole: What about the gas tax?

Ms. Saito: The gas tax is an excellent way of raising the funds; development charges for the growth. We have been promoting development charges in Peel region for GO Transit growth. That's how we've been funding the capital plan of GO and we advocate that very strongly.

Your other question was in relation to the political representation. I think the ideal body would have a mix of political and non-political on it. I don't think you can have an entirely non-political board that is dealing with the transportation across the GTA—

Mr. O'Toole: What do you think of the GO board model? Actually, it's a pretty good model.

Ms. Saito: Yes, it is, and it's worked very well.

Mr. O'Toole: It's actually quite a good board, technically, and there's a mix, as you've suggested.

The current sizing and the allocation—one member from Peel, one from York and one from Halton/Hamilton; Toronto, four; and two from the government—sort of boxes it out a bit if you look at it. It's dysfunctional technically, because Hazel and Toronto can just clean up totally. That's it. I don't know how they're going to build consensus there, especially if it's politicized.

Ms. Saito: If it's 100% politicized, I agree.

The Chair: Thank you for your presentation.

Ms. Saito: Thank you very much for the opportunity. We appreciate it.

TERRY GOODWIN

The Chair: Terry Goodwin, please come forward. Be seated anywhere there. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Terry Goodwin: Good morning. Thank you very much. My name is Terry Goodwin and I live in Thornhill, in the Vaughan section of it. I was a member of Vaughan council for four years from 1974 to 1978, when we were designing the new Thornhill-Vaughan—75,000 people. That's almost built up right now.

I also served, prior to that time, as a local school board trustee in the old Vaughan board. I took out my citizenship at that time. I served for five and a half years. During this time, I have sat for about 10 years with an advisory committee here at Queen's Park. We weren't paid, but we developed some thoughts. Most of these thoughts, I have to say, are mine and my comments will be, first of all, on those and then I will comment on Bill 104. These are strictly broad-brush, bare-bones com-

ments, but I hope to learn something today from other people, as I have from the speaker before, with whom I largely agree.

The subject is gridlock; what do you do about it? In most cases, health, education and the hydro problems come first. I say it's the art of the possible. Get one's mind right out of the box. There must be an authority, which could be a pattern for other areas in the province. There should be three commissioners or board members full-time, without a political—municipal—requirement. The Ministers of Transportation, as well as urban and housing, or their deputies, should be members, but not necessarily full-time. Said authority should be regulatory, not operating. It should have the power to bonus operators/municipalities.

It's very hard to get people out of their cars. A good transit system should be convenient and seamless and show a large saving in time. GO rail showed that when they cut their time from Pickering from one hour down to half an hour, the ridership doubled, and the same sort of experience with that of Oakville and Port Credit. So there's a saving in time required to get people out of their cars.

You should have fares for distance, because you have to take care of the local person who wants to go to the shopping area or their dentist or what have you, and also the people who are sitting quite close to the boundaries right now. This postage-stamp business that we have now is just no way.

The greatest opportunity is for GO rail multiple-unit cars, every axle live, with overhead electric, which provides fast acceleration and puts power back in the supply when braking. The Hawker-Siddeley design for the shells of the present cars supported overhead electric. The last submission I heard, informally, about going electric was to bring in big locomotives and use the existing cars that way. It doesn't quite save the time.

I said I came up here to join the air force, yes, and I came from Philadelphia. In 1930, when we were on steam—it was the same distance from Langstaff. At Langstaff, you get on the GO train now, and it takes 35 minutes to get downtown. We were on steam in 1930, and it took us 25 minutes. They put in overhead electric, with every axle live, and we were down to 18 minutes. I respectfully submit that if you put 18 minutes out of Langstaff and the equivalent out of other places, you won't put the Don Valley Parkway out of business but you will certainly take a big chunk, the top part of it, off there. So that's very, very important.

The fare for distance can be as low as 25 cents or 50 cents for a local trip, and then graded up for longer rides. It avoids high combinations across borders and can be divided among the carriers, including rail and service. An operator—the municipality—should be bonused for each passenger-kilometre carried to make the system show a profit, not a deficit. The first thing I heard when I was on council, and I've heard it ever since: "We don't have enough money so we'll cut buses, or we'll cut the service." That's not the aggressive way to get people out of

their cars. The municipality has to make this thing pay, and pay for profit, so that they say, "That is an added way of making money."

The operating funds—we've heard about that question—should come from a transportation levy shown separately on each tax bill. Area-wide lot levies should be required for capital projects; we've heard that. The resulting funds can be augmented by the province and the federals. It's very important to make a place for that.

Roads and highways should be surveyed once every three years, for which the municipality should be reimbursed, particularly for numbered highways. Funds for their improvement should also come from these funds.

Those are the broad strokes. What does Bill 104 do? The authority, by definition, should be available to any other municipalities, such as Kitchener-Waterloo or Ottawa, that want to opt in. Bill 104 creates a board of 11 members, who may or may not be directly elected in their municipalities. By definition and experience, that is dysfunctional, and you heard that from the start. There should be, I say, three commissioners, full-time.

Bill 104 creates a purchasing division with little benefit and creates expenses. Most operators today have sufficient purchasing experience to get the best equipment at a proper price. Why create an additional 3% or 5% expense?

Fare collection and division can be contracted out using smart cards; you've heard of that. A function to monitor bonusing is required. At present, there's only a shell. We've heard that in the Hansard; quite a few people said that. A bonus should be paid to each municipality for each passenger-kilometre carried, and no deficit allowed. That bonus opportunity should encourage the operator to be more aggressive and innovative and get more people out of their cars.

Thank you very much. Those are broad strokes, but I'd be glad to answer any questions.

0930

The Chair: Thank you very much for your presentation. This round of questioning will go to the NDP.

Mr. Tabuns: Thank you, Mr. Goodwin, for coming in and presenting today. Are you aware of any studies that have been done to show how such a regional authority would actually succeed in reducing the number of commuter trips in this area?

Mr. Goodwin: I'm not aware of any full studies, but I've just pointed out that when GO rail decreased their time from Pickering to downtown—cut it in half—and the equivalent from Oakville and Port Credit, their ridership doubled. That is one of the principal things, because otherwise you just go out to your garage, press a button and get in the car. It's the most convenient sort of thing to do. You've really got to work at this thing. Whether it's lot levies, as explained a bit earlier—they have to be set on the local area, and area-wide, because you can't have one competing against the other: "I'll give you 5% off; I'll give you 10% off." There are no studies. You'll probably pay \$100,000 or better for some con-

sultant to give you that. If he knows what you want, that's what you'll get. I'm a little bit cynical.

Mr. Tabuns: I don't blame you.

Your comment on cutting the time to get into downtown Toronto from the suburban area vastly increasing the ridership is interesting. It strikes me, then: Why don't we just put our time and effort into expanding GO and making sure it can move people as quickly and conveniently as possible? Why do we try to patch together all these municipalities and their different transit systems? Do you see the logic in going forward with this patch-together?

Mr. Goodwin: Well, I would rather see us keep the mix of operations we have right now, simply because they're much more efficient as far as money is concerned. If you had the TTC take over everything, our bills would be doubled at a minimum. There's an awful lot of money required to do this, and I think I began to realize this at that committee when the roads people said that if growth kept on the way it was—this is 10 or 15 years ago—they were going to need \$20 billion over the period of time just to pour the concrete—nothing for the increased widths. Where are you going to put these things?

That's one reason that GO rail was started, and GO has suffered for lack of money. It takes a long time just to get your environmental things done. You can't just snap your fingers. So no, the big studies will come as you get things going, as you tell people they're going to have money to do these things. That's what you have to do. You have to be able to assure them that some monies will be available, not just this year, this week or next budget, but for a period of time. You have to set that formula.

I think that's the biggest job this committee can do, plus the concept of bonusing each of the municipalities. The TTC gets a big one, and that bonus might even—I'm throwing a number out in the air; I have no validation. What if you paid them 10 cents for every passenger-kilometre carried? Would they jump at that? Wouldn't they cut their deficit off? You wouldn't do that directly. You'd have to have one fee right across the whole served area, a separate fee for the people in Kitchener-Waterloo and a separate one for Ottawa. And the people out in the rural area are not going to get caught on that. They don't have to pay in Owen Sound for something that's going on in Toronto. That's the way on that.

I'd be glad to answer more questions.

Mr. Tabuns: I have no further questions.

The Chair: Thank you for your presentation before the committee.

SMART, McMASTER UNIVERSITY

The Chair: I call on SMART McMaster University to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Robert Hicks: It's a pleasure to be here today. My name is Robert Hicks. I am a member of the board of directors of the Ontario Public Interest Research Group at McMaster University, and I am here to represent SMART, which is an OPIRG working group I formed two years ago. SMART stands for Student Math Action Research Team, and its slogan and aim is, "Making mathematics matter more for the environment and the community."

I'd like to begin with a question: If a chicken and a half lays an egg and a half in a day and a half, then how many eggs does a chicken lay in a day?

The reason I begin with that mathematical puzzle is to point out that mathematics can play tricks with our minds. This is a brainteaser question. Many people would quickly say "one egg," but that would be the wrong answer. It would still take a chicken and a half to lay one egg in one day. The correct answer is two thirds of an egg per chicken, per day.

A similar question would be: If a car and a half produces a tonne and a half of greenhouse gases in a year and a half, then how many tonnes of greenhouse gas does a car produce in a year?

The answer would be two thirds of a tonne, similar to the two thirds of an egg in the chicken-and-egg question. But you might be interested to know that two thirds of a tonne would mean the car burned 278 litres of fuel over the 52-week period and only 5.34 litres of fuel a week. The reason for that is, a tonne of greenhouse gas is produced for every 417 litres burned. If you paid exactly \$1 per litre, that two thirds of a tonne would mean only \$5.34 a week at the pumps.

This math matters. Therefore, it is very important that people, and especially community decision-makers, understand the math behind it. Whenever the stakes are very big, it is very wise to seek out the math that can help us, because making mistakes can be very, very costly to our community and to our environment.

I have come here today to tell you that for the past two years, SMART has been looking very closely at the mathematics that matter a great deal to Bill 104. Specifically, we have researched in great depth the tonnes of greenhouse gases produced every day by every vehicle in over 4,800 communities across Canada. As a result, we have generated some important statistical numbers. We feel these are numbers that matter a great deal to Bill 104 and Ontario's future.

We have come here today to tell you about the number 3.36, the number 0.00041, the number 2,256 and the number 940,000. But before I tell you what these numbers represent, I will tell you where they came from.

0940

The Office of Energy Efficiency of Natural Resources Canada in Ottawa provided SMART with a very valuable, very large spreadsheet of very important data. This spreadsheet analyzed the fuel efficiency of over 14 million registered vehicles across Canada in the year 2003 in 61 fuel-efficient categories.

From these data we can tell you that the average engine size of all light-duty vehicles in Canada in the year 2003 was a 3.6 litre engine: That is a six-cylinder engine. This is important to know because, sitting in a traffic jam, a six-cylinder engine burns a lot more fuel and produces a lot more greenhouse gases than a smaller four-cylinder engine, and it tells us that we should be trying to cut back on the number of eight-cylinder engines on the road, that can produce double the greenhouse gas of a four-cylinder engine, in order to improve the fuel efficiency of the average vehicle on the road.

From these data we can tell you with considerable confidence in the accuracy the following: that 0.00041 tonnes of greenhouse gas are generated in one year by the average Canadian vehicle for every second that vehicle idles in a parking lot, at a red light or in a traffic jam. This also means that for every second each day our vehicles also waste over 940,000 litres of fuel a year. That leads us to these numbers.

It means that for every 10 minutes each day that all light-duty vehicles in Ontario are delayed by traffic congestion, we produce over 1.35 million tonnes of greenhouse gas and we burn over 560 million litres of fuel, a non-renewable resource, valued at about \$560 million. For 20 minutes, you can double that. It would produce 2.7 million tonnes of greenhouse gas a year and waste over \$1 billion in fuel and a billion litres of fuel.

What does this tell us? It tells us a number of things. It tells us that we must not just think about the lost time and the productivity losses caused by traffic congestion; we must also concentrate greatly on the massive amounts of greenhouse gas produced and the massive amounts of fuel we burn and waste at the same time.

It tells us we need to work hard to educate people better, to deliver the message more effectively, that people must try to conserve more, carpool more, combine trips and drive less, walk more and perhaps ride a bike more.

It tells us that bicycles should immediately become tax-exempt and people should be encouraged to buy one and ride it.

To encourage people to get out of their vehicles as much as possible, the new GTTA will need to put into higher gear efforts to educate people about the high costs of congestion and fuel waste, and also the massive amounts of greenhouse gases produced by large volumes of vehicles every day.

Firstly, SMART recommends the following: that the total number of light-duty vehicles in every community, and the average engine size of those vehicles, be posted on all signs in Ontario that welcome people to a community and state the population of the community. This one measure would be effective to promote discussion of the related issues by all citizens and send a strong message to the public that their co-operation is needed to effectively address the problem.

Secondly, we would like to point out the following: A major objective of the new GTTA will be to ensure that commuters spend less time waiting for a connecting bus

or train. That would be a good thing. However, the major problem is that it will not help very much if the people who own cars are not interested in those public transit improvements. Therefore the citizens of Ontario need to be convinced and sold on the idea that it is critical they help solve the problem by getting out of their cars as much as possible.

It is true that today, more than ever, we need a seamless transportation network to help reduce congestion on our roads. But it is also true that every day our overall fleet of vehicles in the province is increasing because of an ever-increasing population and because of sprawl development. The thinness of sprawl of a suburb, combined with the fact that every 417 litres of fuel burned produces one tonne of greenhouse gas, is largely responsible for Canada not being able to achieve its Kyoto Protocol commitments. Yet sprawl is allowed to continue. Continued sprawl means continued growth in automobile ownership, and that means continued growth in congestion. Yet sprawl is being allowed to continue.

A growing body of evidence suggests that expansion of the highway networks has helped fuel the increase in driving. The expansion of highways triggers changes in driver behaviour and land use that spur additional vehicle travel, a phenomenon called induced travel. Extending a highway into a new area effectively opens that area to large-scale development, often of the sprawling, auto-dependent variety. This government and the new GTTA will need to recognize, acknowledge and consider the broader negative long-term impacts of highway and road enlargement proposals. The public will need to understand and should be, and hopefully will be, encouraged to debate the multi-layered problems involved in continuing auto-dependent development.

Effective planning requires judgment, sensitivity and creativity, but solving this problem will also require a lot of mathematics. SMART hopes that the new GTTA will do a lot of math and be honest and open with the public about the numbers this math will generate. Many of those numbers may present unwelcome news, since we know that cheap oil will not last forever and global warming will not be addressed effectively if millions of vehicles sit idling in traffic jams every day.

We hope the Ontario government and communities all across Ontario and Canada will put the number 0.00041 to good use. We call it the SMART factor for the average Canadian vehicle. We believe it is a useful environmental indicator whose time has come. It can be used to easily calculate the greenhouse gas and fuel savings generated by even minor traffic flow improvements that are possible at most intersections, and it can be used to easily calculate the added greenhouse gas and added fuel consumption that would be caused by an added new traffic light to an already congested road to accommodate a new commercial development. When cities see those numbers, they might want to reconsider adding the stoplight.

In closing, we are attaching to this presentation a report we published on March 30 titled *The SMART report: Blowing the Numbers Out of Canada's Tailpipes*;

Blowing the Whistle on the Lack of Action. We hope you will read it. Also, there was more to today's presentation than these 10 minutes would allow, so we hope that you will read that also. If SMART can be of assistance in any way, we would be happy to help out at any time in the future. That's all I have to say. Thank you, Mr. Chairman.

The Chair: Thank you for your presentation. This round of questioning will go to the government. Mr. McNeely.

Mr. Phil McNeely (Ottawa-Orléans): Thank you, Mr. Hicks, for coming in this morning and for making us think. Just looking at those four signs that you have in your brief: They certainly would be signs to let individuals know of the major problem we have on our transportation networks. Anything we're going to do in the future has the major challenge of even keeping up with the growth in automobiles and the growth in travel.

Mr. Hicks: The numbers for those are available because of the registration of the licence plate system. It would be really terrific if one community could see that their average engine size was lower or higher than the one beside them. It would motivate people to downsize their engine sizes.

0950

Mr. McNeely: Yes, and I think it would ask the people the question of their habits. You'd see these signs along the highways, and they wouldn't be very high-cost.

One of the difficulties, of course, is the cultural change that's involved in transportation, and it's something that is happening at the local level and at other levels of government. Certainly the federal government had many issues to curtail travel to try to save. What do you see as the best direction we should be going in, in trying to change the culture?

Mr. Hicks: I think the best direction is you've got to speak with the public more. You've got to put it out more. You've got to use the newspapers with half-page or full-page ads, being totally blunt and honest with them, saying, "People of Ontario, we have a problem. We have too much congestion. We are going to do what we can to fix it, but we will not succeed to the extent that we really need to unless you help us."

You have to ask the people of Ontario to help you. You have to get them talking about the problem at the water coolers in the offices where they work and saying, "Okay, finally I'll get together with the guy who lives down the street and we can drive together." You've got to motivate the millions of people in this country. Widening the highway is not going to solve the problem. You've got to get to the source of the millions of people who get into one car and drive in a slow, congested way, back and forth to work. You've got to get them out of their cars, and the best way to do that is to ask them to get out of their cars and keep asking them, and do it in clever ways.

Mr. McNeely: Thank you very much. I have no other questions.

The Chair: Thank you for your presentation.

Mr. Hicks: Thank you. My pleasure.

ANDREW SCHULZ

The Chair: I call on Andrew Schulz to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself.

Mr. Andrew Schulz: My name is Andrew Schulz. I live in Scarborough, Ontario, and I took the subway to come down here today.

I wanted to start off with some stories and on-the-ground observations. I frequently take the GO train to visit my girlfriend in Oakville, and one time, the train was five minutes late. The buses there are scheduled to leave exactly five minutes after the train arrives, to give you time to transfer. To my despair, I ran out of the train to catch the bus and all the buses were leaving the station. Since they only have hourly service, I decided to walk the five kilometres rather than wait a whole hour. This is indicative of the kind of situation that many people face in the greater Toronto area.

Other observations: Very often in the Toronto Transit Commission, I've seen bunched buses, where you have sometimes up to three or four buses bunched and then people are kept waiting up to half an hour for the next vehicle. I don't understand why drivers cannot be empowered to just have one express go ahead to improve the service. I think it's due to the way that drivers are treated. There are always rules and regulations. I think they should have the power to just run express if they see a service problem, because by the time an inspector gets there, it's far too late.

Other observations: Steeles Avenue, where Toronto meets York region, is an artificial boundary, but not for people who live there. I very often see bicycles left, locked to trees, poles and those guy wires holding utility poles. This demonstrates the demand for cycling to bus stops. People think no one's going to ride a bike to a bus stop, and here, they do. It also shows that York region residents are not happy with their transit service. First of all, they have to pay an extra fare, and it's for infrequent service.

My final story is attached to the end of my brief. I think you all have a copy of it. I call it my Brampton Transit odyssey. I hope you all had a chance to read that, because I would guess that none of you has ever taken a trip like that. It's eye-opening. Even when people want to take a trip like that, there are all these hurdles thrown in their way, but when you want to jump into a car, it's just snap your fingers and you go. You don't need to think about it very much. Why does it have to be an odyssey to cross the GTA? That, to me, should be the primary objective of this new agency: to remove all those obstacles. It's really a number of little things that need to be done to remove those obstacles.

Now I'll go to my written brief. I've written it in the form of questions. I pose a number of questions: Who? Why? What? How? When? Where?

First of all, who? Who will be represented on the board of the GTTA? This is my most important recom-

mendation: I believe that ordinary transit riders should be on this board. I have heard from a fellow whose name I won't identify—you probably all know him—who, when he was first appointed to the GO Transit board, hardly even knew what GO was. He probably had never set foot on a bus in 20 years. That is not acceptable. There should be people on this board who are passionate about transit and who actually use it. So I would strongly recommend that at least one of the provincial appointees be someone like myself—and I could name other people—who would understand the system from the ground and use it. They should be people who have a system-wide view, not a particular regional axe to grind.

There are precedents for this, in case you think it can't be done. I serve currently on the Toronto and Region Conservation Authority board. I am one of the city of Toronto's citizen representatives there. I think it's very useful to have someone like me on a board like that, because the councillors all have a different idea as to how things should go. The library boards in most municipalities have citizen appointees. Many US transit systems have citizen appointees to their boards. And of course the Toronto Transit Commission originally had people on there who were not councillors.

Next question: What is the mandate of the Greater Toronto Transportation Authority? I feel that its mandate should not include running the GO Transit system. I would keep GO Transit as it is, as a stand-alone agency. The new agency should focus on coordinating services, planning and fares. They should look at the big picture, the region-wide picture. As well, they should be looking at some smaller-scale projects to address some system-wide objectives that I'll identify later. These are things like making it easier to walk to bus stops, to address those concerns I addressed in my Brampton Transit odyssey.

If you go ahead and merge GO with the GTTA, I fear there's going to be organizational chaos, because GO is a large, bureaucratic organization. Does anyone remember the situation when Air Canada took over Canadian Airlines and the turmoil there was? There's always resistance to change, so why risk that? GO is okay as it is; just leave it alone. Set up the GTTA separately.

Next question: Why are meetings closed to the public? We really should want transparency. There should be a constituency to demand better transit, and making meetings open to the public I think will engage people. The way the bill is drafted right now, it says, "Here are all the reasons that a meeting can be open." It should be the other way around: "Here are the two or three reasons why a meeting should be closed." I think that sends out the wrong message.

Related to that—just a comment—here at Queen's Park, I remember years ago I used to be able to just walk into the building. I don't think it's right the way it is now, that you have to sign in. It shows a message to the public that we're not welcome here—especially the transit connection. I tried to take the tunnel below, and you can't get in that way.

How to select projects is the next question. Are we going to be looking at expensive, parochial megaprojects such as the Sheppard subway, or this proposed subway in Scarborough that is going to cost billions of dollars and serve few riders, because some councillors want to champion them as their little pet project? Mega-projects are always sexy. No one is interested in putting in transit shelters or a bike lock-up at a bus stop, but those things, I think, are important to attracting riders. I don't know if building a huge subway that hardly anyone is going to use is worth it.

The GTTA should look at smaller local projects instead to achieve some GTTA-wide objectives. These are things like improved pedestrian access to all of the stations. I can take any of you to any of the GO stations, and there's horrible pedestrian access to most of them from the surrounding communities. There should be many improvements made to bus stops, which I've outlined in my brief. We should make efforts to accommodate bicycles on vehicles, and the disabled. These are all little projects, but these are things that the GTTA could provide important recommendations and guidance on.

We also need frequent all-day basic service across the GTA. Most of the GO rail lines do not offer service during the day; only rush hour in and rush hour out. This needs to be improved. Anyone coming from Europe would laugh at our system right now. It's 20 years overdue, and it should be done almost immediately. Again, this is one of the reasons I think GO Transit should be kept separate, because their mindset is to just run service inbound and outbound. They have a specific idea of who their market is. I remember one time I was working at Humber College, trying to commute there from Scarborough. I would complain to them about the connections of some of their services, and they basically said, "You're weird. You're not really our customer." I'm sorry; that attitude shouldn't be the one applied. The goal should be trying to serve all the people in the greater Toronto area. So this new agency, I feel, can have that broader mandate of looking at everyone in the region. Again, all-day, two-way service across the region is what is needed.

1000

The Toronto Board of Trade—this is not in my brief—wrote a study about a decade ago about commuter rail that could cost-effectively implement something like this. The GTTA should dust off this study and go ahead and implement it. If you don't have it, I think I have a web link at home I could e-mail to you folks. Maybe someone else has also made some suggestions about that.

There's another good example of what I'm talking about. There's a new Viva transit system you've all heard of in York region. They built a new terminal up in Richmond Hill that's right beside a GO station. Guess what? You can't walk from that new bus terminal to the GO station. There's a fence in the way, and the walk involves about a kilometre to go around it. Again, little things like that should be addressed.

The next one: When is the province going to provide adequate funding? Why bother planning and coordinating all these services if there's insufficient money to implement this? I suggest something radical: a carbon tax. I know it's not politically saleable, but I hope that some of you as MPPs have the courage to champion that, because we do need it for climate change and other purposes. As well, we have a big deficit in terms of transit versus spending on highways, if you look at budgets.

The last question I ask is about vehicle procurement. The central procurement agency overall is a good idea, but I wonder if there's going to be too much pressure to exclusively buy products in Ontario. There might be more reliable products available outside the province. I do like the idea of added bargaining power, though, to buy better vehicles and get volume discounts. One suggestion I have for when they procure vehicles is that they look at flexibility in vehicle seating and layout so that they can easily be redeployed across the region. Why couldn't Mississauga Transit, if they had growth on one route, take vehicles back from the TTC? But now, the way they're laid out, they maybe cannot do that easily. They can do it in minivans; they can change around seats easily. Why can't you do it in transit vehicles?

Those are my remarks.

The Chair: Thank you. I apologize that those bells had to be ringing while you were giving your presentation. They were calling members to the House.

We'll begin this round of questioning with the official opposition.

Mr. O'Toole: Thank you very much for your presentation: quite innovative and certainly customer-focused, that's for sure. It looks like you have a great deal of experience and insight into where we've come from and where we should go.

With respect to the governance model, I'm not being flippant, but you currently have an appointment by David Miller to the conservation authority, whichever one. I would approach David Miller to give up one of his seats, perhaps his own, so that you could replace him. Have you done that? You're on the public record here. Here's your time to say it: "David Miller, please appoint Andrew Schulz to this board."

Mr. Schulz: I'm actually going to go one step further. I want it written into the legislation that one of these people has to be a transit user, regardless of who the city appoints. So I'd say it really should be one of the provincial appointees.

Mr. O'Toole: I think he's actually appearing here, or some member of his staff will be appearing here today. We'll kind of put that question to him if we have a chance.

Mr. Schulz: Okay, sure.

Mr. O'Toole: The other one is the idea, as you said, of convenience. Certainly, whether it's persons with special needs or access issues, I completely agree. It's got to be completely accessible and integrated, as has been suggested, not just seamless cards but also the connecting links and how the service is weighed for schedule and

how it's all coordinated. I kind of disagree with you on the idea that this should be all separated into nice, little autonomous groups, GO Transit having their own thing. You've got to integrate it.

Here's the most surprising part of this whole thing, including the perception of your submission here: This is actually the Greater Toronto Transportation Authority. They've drafted this with no time on their hands, I think, because, quite frankly, this is all about transit, but the bill is called "transportation." When you look at smart growth and all their fancy plans here, they have no plan, technically; they've got a bunch of reports that haven't been put together yet. They have to be looked at in a coordinated, succinct way. Transportation; that is, regional collector roads and all that—the infrastructure of roads and cars—and public transit have to be coordinated. Highway 407 should have a transit corridor within its design, and certain stop and start points and connections between universities and hospitals. That's what I think is missing from this.

Have you got any suggestions on that? How do we make this report something more than just—actually, nothing's going to happen with this. There's no authority; there's no money; there's no plan. I think the people who applied to appear before this committee have got it right: Nobody applied. Do you know why? Because it's not going to do anything. It will be 2011 before they get the smart card working, and it will probably cost them \$40 million—

Mr. Schulz: I agree.

Mr. O'Toole: —and there's no money. Look, I support the idea. We tried, and we failed. The Greater Toronto Services Board failed—there's no question about it—because of the governance and because of the money. There's nothing in this, unless there are some amendments that are going to be tabled by Mr. Arthurs, who knows more about this than most of us, to make this thing functional. There's no action plan, not just to remove these barriers that you talked about. I'm just wondering, have you got any specific issues?

I want to say one other thing—we get such limited time to speak on this. Here's the other thing: I think there really is a plan; there is a larger plan. The plan is called the 3C plan, to eliminate the 3Cs: cigarettes, coal and cars. Those are the 3Cs.

The Chair: You only have about a minute left, Mr. O'Toole.

Interjections.

Mr. O'Toole: No, no. I heard this. The SMART presentation here was very good. He definitively described that the solution to greenhouse gases, gridlock and everything is to eliminate the car.

The Chair: Let's allow him to find an answer to that multitude—

Mr. O'Toole: Quite frankly, you've said that it's killing us all. It's sort of like cigarettes are killing us; we should stop them.

The Chair: Mr. Schulz, I'll give you an opportunity to answer.

Mr. O'Toole: Could we not have unanimous consent for more time? Because I think he probably had the most unique presentation of all. It was all about transit, mind you.

The Chair: We'll let him answer. Go ahead.

Mr. Schulz: Well, thank you. It's hard to follow that one up.

Mr. O'Toole: I don't know. You can just jump in there any time.

Mr. Schulz: Okay. On a couple of comments you made, the 407 transit lanes were designed into the highway. I remember I was involved in looking at the highway when it was first designed. To me, they were just thrown in there as a little bone to the environmentalists, to say, "Hey, we're going to put in transit." Then, of course, they never will. They'll just use them to widen the highway later on.

I don't agree with you that this is a long-term plan to eliminate cars. Cars still have way more access, when you look at my Brampton Transit odyssey story, compared to anything else. We're only talking here about levelling the playing field a little bit; I mean, cars are still way up here and transit and everything else is way down there. We're talking about lifting it a little bit. I don't think anyone is talking about eliminating cars here.

But you're right: There's no money. I agree with you there. There is no money; there is not a proper plan to do this. I'm hoping this agency will come up with something, and at the same time can develop a constituency who will push the government. I'm hoping there will be an all-party consensus in the future that transit is just the way to go. We won't have this debate anymore.

Mr. O'Toole: I think we support that. We certainly support transit, but there's no plan—

The Chair: Thank you. Time has expired. Thank you for your presentation before the committee.

Mr. Schulz: Thank you so much. The best of luck in your deliberations.

ONTARIO CHAMBER OF COMMERCE

The Chair: I now call on the Ontario Chamber of Commerce to come forward, please.

Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Len Crispino: Good morning, Mr. Chair. My name is Len Crispino. I'm the president of the Ontario Chamber of Commerce. I'm glad to have with me my colleague Stuart Johnson, who is our vice-president of policy for the Ontario Chamber of Commerce.

Thank you for the opportunity to help make Bill 104 a stronger and more effective piece of legislation. I've provided the clerk with our submission and will keep my remarks brief to allow for some questions.

1010

The Ontario Chamber of Commerce represents some 57,000 companies across this province and, along with

our GTA members, we've been calling for a regional transportation authority for some three years now.

Early on, we recognized the need for a coordinating body to help solve the gridlock crisis in the province. We have been vocal that gridlock is a substantial disadvantage to Ontario's competitive position. Like delays at our border crossings, gridlock has an immediate and dramatic impact on our economy. We were very pleased when we learned that the Minister of Transportation was working on an announcement for a transportation authority. It is, in our opinion, long overdue and much needed. We would like to commend the current and past ministers for their commitment to this initiative and to the ministry for its thoughtful consideration of our members' concerns.

This legislation is a solid start—a good foundation, if you will—toward solving some of the region's traffic woes. However, it is missing some critical pieces and I fear, if unamended, this legislation will create a powerless bureaucracy, unable to achieve its objectives or implement solutions.

In a joint letter with the Toronto Board of Trade, we made six recommendations to the ministry following first reading of the bill.

First, the GTTA's powers must be defined in legislation to allow the agency to plan, prioritize, finance and, most importantly, execute transportation investment across this region.

Next, the legislation should provide the GTTA with the authority to coordinate municipalities' official plans along boundaries in order to conform to the GTTA's regional transportation and infrastructure plans. Serving merely in an advisory capacity to municipalities and the province, in our opinion, is not sufficient to achieve the government's stated goals for this authority. Related to this, the legislation should be strengthened to give the GTTA authority over land use planning, particularly in transit corridors, to encourage intensification and to maximize investment in transportation infrastructure.

Next, we would recommend an amendment to clearly define a dispute resolution mechanism. I have no doubt that in working with a group of municipalities with unique interests, such a mechanism will be essential to the success of this agency.

Our fifth recommendation is that this committee enshrine in legislation sustainable financial sources and revenue-raising tools for the agency, which will be used to finance the GTA and the Hamilton region transportation network.

Finally, we would recommend that the legislation set criteria to ensure the board of directors has majority representation from the private sector. We believe that leaving the criteria open or leaving it to regulation will subject this agency to undue political influence. Ideally, the legislation would set out specific criteria for each director of this agency. Our membership believes that representation on the agency should be made up of those with specific expertise, experience and knowledge of the transportation sector.

The key to this becoming an effective agency is for the private sector to play its role in providing solutions, as

promised by the previous minister. We believe that this principle must be protected and assured in legislation. As I've said, this bill is a solid foundation, a good starting point. But the real question is whether the government wants to create a real, effective, proactive transportation agency or if it wants merely to create another red-tape-generating institution, unable to advance and implement solutions. However, without the proper tools and powers, it will lack the ability to solve any of this region's transportation requirements.

The GTTA must be proactive and action-oriented. As we continue to see record growth in both population and economic development in this region, we must have a body that can provide real solutions and have the power and financial resources to make those solutions happen.

I would ask that this committee put forth amendments to the legislation that will allow the GTTA to achieve its full potential. I think we have a great opportunity to make this legislation even greater, and I would ask all members on both sides of the House to ensure that happens. I'd be happy to take your questions.

The Chair: Thank you very much. This round of questioning will go to the NDP and Mr. Tabuns.

Mr. Tabuns: Thank you very much for the presentation this morning. Has your organization had a chance to do any modelling to look at how much car traffic will be reduced by introduction of this authority?

Mr. Crispino: I think there are various—and I'll ask Stuart to respond a bit further. There have been various studies that we've looked at. We have not ourselves conducted specific research in this area.

Mr. Stuart Johnston: That's correct. Through the government's own studies, we realize that gridlock in the GTA alone costs a significant amount of money—\$2 billion. Common sense would dictate that if we have a regional approach to transportation planning writ large, the coordination of transit and transportation will indeed serve over time to reduce the reliance on traffic and move toward more of a transit-oriented culture, but it'll take some time. It'll actually take this comprehensive review. That's why we're so pleased about the GTTA.

Mr. Tabuns: And if in fact this body receives neither the funding nor the authority, as you've recommended, do you expect that it will have any impact on gridlock in the GTA?

Mr. Crispino: I wish I could say yes, but I think our interpretation and the interpretation of our own members across the province is that this will be very much a watered-down organization. It will essentially turn into more of a bureaucratic tool. It's our hope that this is not the route the government will take. This is such an important issue, I think it behooves all of us—the business community and all the other interests across this province—to come to the plate and make sure that in fact we have the very strongest possible organization, with strong representation.

Mr. Tabuns: Okay. One of the things that's proposed in here—in fact, it's a signature element—is this idea of a fare card right across the region. Do you have any

thoughts as to how the revenues from that fare card should be apportioned between the participating municipalities?

Mr. Johnston: We did not study that aspect of it. It was our assumption and presumption that the GTTA itself would determine how those revenues would be divided up, if in fact they are.

Mr. Tabuns: So you don't have a recommendation on that, then?

Mr. Johnston: Not on the specific, no.

Mr. Tabuns: For the most part, I like what you've brought forward. I think you've thought it through. I think your analysis has a lot of validity. One concern I have is that if the bulk of the members of the governing board for this GTTA are appointed from the private sector, in a lot of ways they're not accountable politically. You're suggesting that they have the power to do planning that would override the plans determined by democratically elected councils. I find that somewhat troubling. Have you thought through the implications of essentially ceding planning powers from democratically elected councils to an appointed board?

Mr. Crispino: A couple of points: I guess our view is that the magnitude and the importance of this issue is so great that it's time we ensure that we've got the most powerful body in place, that we have people who are knowledgeable in finance, that we have people who are knowledgeable in planning, transportation and urban planning, that there's depth and breadth on the committee. There's still accountability. The minister is still accountable for this body, so it's not as if all of a sudden there's no longer accountability. There will be all sorts of people during these discussions who, from a political standpoint, will talk very heavily about their region's needs and their region's concerns and that they need to be fully represented. While that may be true to a large degree, we still believe that the majority of this group needs to be people from the private sector with the breadth and depth to make sure that this in fact will work.

The Chair: Thank you for your presentation this morning.

1020

CITY OF BRAMPTON

The Chair: Now I call on the city of Brampton to come forward, please.

Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I'd ask you to identify yourselves for the purposes of our recording Hansard.

Ms. Elaine Moore: Absolutely. Thank you very much, and thank you to the clerk for passing out our submission this morning, which I assume everybody has at this point.

Good morning, Chair Hoy and ladies and gentlemen of the standing committee on finance and economic affairs. My name is Elaine Moore, and I am a regional councillor in the city of Brampton. As such, I sit on two

councils: Brampton city council and Peel regional council.

Her Worship Mayor Susan Fennell was unable to attend this morning. As you know, many mayors are attending the FCM conference in Montreal. However, I am joined here this morning by Mr. Clay Connor, a director with our legal services department for the city of Brampton.

On behalf of Brampton council, I would like to thank you for giving me this opportunity to express for your consideration Brampton's position and recommendations for Bill 104. My message to you today is to express the city of Brampton's support for the intent of Bill 104 and its goals to coordinate public transit service delivery and to manage the transportation network in the GTA.

The city of Brampton has recommendations for your consideration which we believe will increase the effectiveness of this bill and its ability to address transportation planning and public transit integration in the greater Toronto area. These recommendations have been endorsed by Brampton council, and a copy of the staff report is included in our submission to you today.

Brampton has demonstrated its commitment to transportation planning and the seamless integration of public transit in the GTA through our growth management program, our transportation and transit master plan, our AcceleRide rapid transit initiative, and our partnership, such as the GTA fare card and the integrated routes that we have with GO, Mississauga and York transit.

Brampton must, however, disagree with the proposed composition of the board. We believe that Brampton will not be adequately represented by one representative from the region of Peel. The city of Brampton has a progressive, dynamic and successful public transit system with a solid plan to position ourselves well to respond to the needs of our growing city. For the GTTA to provide comprehensive transportation planning and GTA-wide transit service integration, Brampton must be at the table. We are a major transit system operator and we are deserving of representation, we believe, on the GTTA board.

I would like to explain why Brampton's direct representation on this board is critical for the success of the board's mandate and objectives:

Unlike some regional governments in the GTA, the region of Peel does not provide community transportation planning or transit service delivery except for TransHelp. In Peel, this is done by the cities of Brampton and Mississauga.

Brampton's public transit system is the fifth-largest in Ontario and fourth-largest in the GTA, next to Toronto, York and Mississauga. Brampton is the 10th-largest city in Canada. Brampton is experiencing the second-fastest population growth out of Canada's 20 largest cities. Brampton is the third-largest city in the GTA and the second-largest city in the 905 region. Brampton is the second-fastest residential growth city in Canada. Our current population of 433,000 people is expected to double by the year 2031.

Brampton is a vibrant and fast-growing community committed to growth management and transportation planning. We were one of the first communities in Canada to implement a growth management program and a 30-year transportation and transit master plan to coordinate infrastructure with development. Our master plans are coordinated with a 20-year capital investment plan for roads and transit, our official plan, plans of subdivision and the delivery of a conventional bus system.

Brampton's experience in growth management and transportation planning allows us to provide input to the Places to Grow Act, the greenbelt legislation, planning reforms of the strong communities act and, most recently, the draft plan for the greater Golden Horseshoe. In the Places to Grow Act, the Ministry of Public Infrastructure Renewal designates Brampton as a priority urban area to manage and invest in GTA-wide transportation services. Brampton has developed the AcceleRide program, a rapid transit proposal connecting to York, Mississauga, GO Transit and the TTC. The province has recognized this critical link in the GTA by awarding AcceleRide \$95 million in their Move Ontario strategy budget. Brampton has been a municipal partner in the provincial initiative for a GTA fare card.

National and provincial organizations such as CUTA have recognized Brampton's leadership with our use of biodiesel fuel and other innovative technologies. Brampton has successfully introduced initiatives to provide a seamless bus service to our neighbours in Mississauga and York region and with GO Transit. Brampton manages a critical public transit system in the GTA and employs a strategic planning model consistent with provincial objectives.

With Brampton's transportation delivery responsibilities, it is a critical link. We strongly believe that the proposed GTTA board composition must be amended to provide for Brampton's decision-making capability. As you well know, Bill 104's current proposal provides for 11 board members: four from Toronto, one from Hamilton and one from each of the regions of Peel, York, Halton and Durham, with two to be appointed by the Lieutenant Governor in Council. There is a chart in our submission that shows board member representation based on population, and it clearly shows that a director from Peel will represent over twice as many people as a director from any other municipality except for the region of York. In addition to representation by population, the requirements of Bill 104 call for board members to have extensive consultation with municipalities that plan and operate local transit systems. Therefore, it is imperative that Brampton be able to provide input with respect to Brampton's local transportation issues and to best represent the interests of our local taxpayers.

For the GTTA board to fulfill its mandate to coordinate transportation effectively, we respectfully recommend that the board composition be revised to provide for representation from each of the cities of Brampton and Mississauga, rather than only one from the

region of Peel. Again, you will find a chart in our submission that shows the equitable representation to the board by eliminating one from Peel and replacing it with one from each of Brampton and Mississauga. We would further propose, in recognizing the need to balance representation more evenly between the 416 and the 905 areas, that the city of Toronto receive one additional seat, for a total of five.

The city of Brampton has discussed these recommendations with both the cities of Mississauga and Toronto. In a report dated May 18, the city of Mississauga clearly indicated its support for an alternative governance model which adds an additional representative from Peel, providing for representation from Brampton as well as one from Mississauga.

Chair Hoy and members of the committee, the comprehensive submission from Brampton that you have been provided with includes several other recommendations. I will not be speaking to those recommendations today; however, we would ask that you review them at your convenience and give them due consideration for your final report.

I would like to thank members of the committee for hearing our submission, and at this time I would be more than happy to respond to any questions you might have. If I can't answer them, perhaps Clay Connor can.

The Chair: Thank you. This round of questioning will go to the government. Mr. Arthurs.

Mr. Arthurs: Welcome, Councillor Moore. It's great to see you here. I'm sure that your municipal colleagues are enjoying themselves in Montreal at FCM. It was always one of my favourite opportunities to connect with municipal colleagues in the province and from across the country. You're probably wishing you were there.

Ms. Moore: I drew the short straw.

Mr. Arthurs: Did you?

Two things, really: First, congratulations on AcceleRide. I know it's been a long time in planning and preparation, getting to the point now where you'll be able to really implement it. Maybe you can comment, irrespective of the governance model, on how you see that integrating itself or how the GTTA structure and activity will benefit from AcceleRide—what they might learn from your experience. If you would comment on that, it would be helpful for me to see where there are opportunities for the GTTA.

1030

The second issue for me, though, is the one of governance, which you raised, and the difficulties, as I see them, having served municipally and being on the GTSB and all those kinds of issues we deal with. As you start to move the system around to accommodate, in this instance, the operation of transit by the two lower-tier, albeit large, municipalities in Peel, how do you juxtapose that against York region's size and growth, apart from rep by pop, and how do we then rationalize the issues around Halton, where I believe Oakville and Burlington have their own lower-tier transit systems operating independent of Halton? That's my understanding; correct me if I'm wrong.

There are issues for us to deal with. One can rationalize it by rep by pop, but then again, York is a region as well and, on the Halton side, they have lower-tier operating transit systems, although not as large by any means as Brampton's or Mississauga's, but nonetheless having the same kinds of operational and responsibility issues to deal with.

Ms. Moore: Wow. Clearly I should have brought our director of transit with me this morning to respond. But I guess I'll give a political response in terms of AcceleRide and our experience with developing the AcceleRide program, having gone through the extensive process of lobbying for the appropriate funding in order for us to roll out that program. I think we've sort of demonstrated that it is something that will not only meet the transportation and transit demands of our community, but we've also included the communities of York and Mississauga. We understand that we don't operate in isolation, and we recognize the need to not only move our residents in and around our city but beyond the borders of our city, as well as assisting those who live beyond the borders of our city and bringing them in. That obviously required some very strategic negotiation with our neighbouring municipalities in order to bring them to the table. If we didn't have anyplace for AcceleRide to go—a willing host, if you want to put it that way—then it would be a program that would not have been recognized through the significant funding we received.

I don't know whether you want to add to that.

Mr. Clay Connor: I can answer part B for you, if you like.

Mr. Arthurs: I think probably that gets to the essence of what I was looking to hear, and that's the issue of taking value-added from your experience—whether it's as Brampton or through Peel or whatever—to the GTTA, that negotiated capacity to put in place an AcceleRide system with multiple partners that meets a whole pile of demands. I think that's a kind of value-added that Brampton, either directly or through its Peel-related representation, can bring to the table.

Ms. Moore: We very much understand Brampton's location in the world, if you can put it that way: our proximity to the airport, our reasonable travelling distance not only to downtown Toronto but to our neighbouring municipalities and regions. So we understand very much the need to move people around and that we don't operate in isolation.

I will allow Mr. Connor to respond to the second part of your question.

Mr. Connor: With regard to the representation issue, I struggled with that when I was working on drafting our staff report. Rep by pop is the basic tenet we're operating under. The population of the city of Brampton exceeds the population of the region of Halton. Mississauga and Oakville are both about 150,000 people; we're over 400,000. So I guess my answer to you, Mr. Arthurs, is if you can't solve both problems by giving Oakville, Burlington, Brampton and Mississauga a seat at the table, you can at least solve one by what we're proposing. I

think rep by pop and our extensive transit experience are justifications for your doing so.

Mr. Arthurs: I'm not speaking for government, but say this just from my personal experiences and my engagement here. You'll appreciate the difficulty I would have in wrestling with the issue, having had the debate around Mississauga's desire to be a stand-alone, single-tier city and the negotiation activity that went on not all that long ago in the context of Peel region/Mississauga, thus trying to wrestle through that at the same time, having dealt with that matter in the fashion that it was negotiated out at the end and looking at this and seeing how those things fit together, or do they need to?

Mr. Connor: I think you'll be glad to know that this is not the battle of Bill 186 redux. Brampton and Mississauga are on the same side on this one.

The Chair: Thank you for your submission before the committee this morning.

The committee is recessed until 4 this afternoon.

The committee recessed from 1035 to 1602.

URBAN DEVELOPMENT INSTITUTE

The Chair: The standing committee on finance and economic affairs will now come to order. To begin this afternoon's presentations, I ask the Urban Development Institute to come forward, please. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Neil Rodgers: Thank you, Mr. Chair. My name is Neil Rodgers, and I am the president of the Urban Development Institute of Ontario, UDI. We are very pleased to have this opportunity to offer you our views on Bill 104.

UDI members play a crucial role in the provincial economy and its sustainable growth. The development and construction industries are vital contributors to the province's wealth. The industry and its related construction activity accounts for over 10% of the total provincial gross domestic product, some \$50 billion, and employs over 350,000 men and women. The tax revenue generated by this economic growth is essential to the government in order that it may deliver quality health care, education and infrastructure to all Ontarians.

UDI has long supported the creation of a regional transportation authority. Our support precedes the Liberal government's commitments to strong communities. In fact, during the previous administration, UDI was instrumental in the 2003 provincial budget announcement of the creation of a central Ontario transportation authority, which, if implemented, would have closely resembled the proposed GTTA.

It is critical for the province, through the GTTA, to find ways to ease the congestion and gridlock that are currently occurring in Ontario, particularly in the greater Toronto and Hamilton region. This congestion is impairing Ontario's productivity and obstructing the realization of its true economic potential, not to mention negatively

impacting the environment and quality of life of Ontarians.

In introducing Bill 104, the McGuinty government has delivered what is, in our view, one of the more critical Liberal campaign commitments. Generally speaking, the bill is welcome news to UDI and its members. A coordinated and efficient regional transportation system complements well-planned communities. The combination of the province's budget commitments to transit infrastructure and the launch of this initiative sends a clear message to us that the province is focused on easing gridlock while keeping the economy moving forward.

We are pleased to see that the GTTA is not, and must not become, focused on transit to the exclusion of the rest of the transportation network. While we recognize that public transit is an integral and important piece of the solution to our inter-regional and intraregional transportation problems, the GTTA, during its planning, operation and investment, must address the full spectrum of the transportation network, which includes roads, rail and other modes, such as bicycles. To be successful, we believe that the authority's core mandate should encompass the following priority functions:

- partnering with transit operators in the GTA-H to ensure that coordination is achieved to serve commuters;

- developing strategic priorities and prioritizing capital projects that complement the growth plan being prepared for the greater Golden Horseshoe;

- facilitating financing schemes via alternative financing procurement in accordance with the government's principles of public accountability and fiscal transparency to leverage private sector capital;

- coordinating the integration of fare card technology; and

- advocating for transit and developing public awareness and education programs.

For the most part, this bill incorporates these core functions.

The GTA-H is the economic engine of Ontario; therefore its future prosperity depends on a reliable transportation system that moves goods and people effectively and efficiently in, around and through the GTA-H and beyond. Our transit and transportation problems and solutions are inter-regional in nature, traversing numerous municipal boundaries; therefore, we must take a region-wide, systems-based approach that gives priority to commuters. The GTTA will play a critical role in planning for a seamless, integrated transportation network. To be direct, no one municipality should own the GTTA. The public wants solutions; the province needs its policy objectives realized. Continued political gridlock is unacceptable, and failure is not an option.

No issue has garnered as much attention on this matter as governance. In fact, other presenters here today, I believe, have strong opinions on this issue, as do we. We ardently believe that the GTTA should not follow in the footsteps of the former Greater Toronto Services Board. Its key failing, in our respectful opinion, was both the size of the board and its composition. UDI submits that

protracted parochial debates at the GTSB were the result of direct political representation on the board, hindering the organization's ability to make decisions. UDI Ontario wishes to state for the record that while we appreciate the care that has been taken in drafting this bill, to balance the interests we would prefer to have seen a board of the GTTA modelled as follows, with eight private sector appointees and six municipal sector appointees, each from the cities of Toronto, Hamilton and the 905 municipalities. It is our view that this would provide the appropriate balance to the debate and facilitate good decision-making. The bill, as currently drafted, permits the participating municipalities to recommend "persons" to the Lieutenant Governor in Council, which is sufficiently vague to include non-elected officials. We suspect that this is the intention of the government, and we encourage participating municipalities to recommend qualified non-elected persons to sit on the board. However, the bill does not address requirements respecting criteria or qualifications of prospective board members. To clarify the province's expectations, we therefore recommend that guidance on this matter be addressed through regulation.

The government has accepted our advice with respect to the GTTA board being required to deliver a transportation plan, prepare a business plan which would include a five-year capital plan and investment strategy, and file an annual report, as well as granting the Provincial Auditor authority to audit the corporation—all important instruments designed to heighten transparency and accountability.

We believe that adequate provisions for public engagement have been instituted through the establishment of advisory committees representing a diversity of interests and permitting the public to attend certain meetings of the authority. All of the foregoing are positive measures to ensure that the authority remains accountable to the public and focused on delivering results.

However, we note the absence of a regular mandatory review of the legislation. Such a provision is common in most legislation enacted in the province. We are hopeful that the GTTA will succeed. An opportunity should be provided to review, assess and amend the legislation if it is determined that it is not working as originally contemplated. On that basis, UDI would recommend that the bill be amended to require a statutory review three years after the bill receives royal assent.

1610

In conclusion, we believe that the introduction and implementation of the authority is long overdue. The residents and businesses living and operating in the GTA-H and the greater Golden Horseshoe want results that will improve the economic, social and environmental prospects for their communities, both today and tomorrow. We urge the government and the committee to consider our advice.

The Chair: Thank you for the presentation. This round of questioning will go to the official opposition.

Mr. O'Toole: Thank you very much, Neil, for your presentation. I do appreciate the work that UDI does in

terms of giving advice to the government, whether it's on Smart Growth plans or Places to Grow, and seeing the integration of urban planning as well as the transportation component.

The first comment is that it's good to see some of the presenters looking at this bill as if it should look at the whole transportation framework, not just transit. That's important. Quite a few of the presenters are basically just talking about transit; they think it's a GO Transit board and just about transit, and that's disappointing. So there has to be some clarity, you're right, in terms of that.

One of the dysfunctional things we see in the board is its structure. You've described the four—one from each of the regions, including Hamilton, and two from the province. What's your thinking in terms of participation and trying to get out of the politics of it? If they're all regional chairs—we saw that Brampton and Mississauga are all wanting special treatment—it's just more politicians, like here, arguing for 10 years about the same thing. Our GTSB did not work when we were in government, primarily because of the governance model and, secondarily, possibly the funding issues. You've made it clear: Would you like to restate your concerns about governance and the types of people that should be identified?

Mr. Rodgers: The governance question has been the 700-pound gorilla in the room that really nobody wanted to address, because if it was addressed properly, we would have had a GTTA six years ago. That's water under the bridge.

We remain quite concerned as to the governance structure. Ultimately, political decisions were made in various rooms and promises were made to various municipalities, I can only guess. The reality is, we can hope that this thing works, but there is pretty well unanimous opinion from what I would call the private sector—the boards of trade, ourselves. Whether or not you adopt a model that has an all-private-sector board, our model is perhaps the middle of the road. I think there's only one option left, and that is, what's wrong with trying it? What's wrong with trying a board that has a healthy balance between private sector and public sector interests?

Mr. O'Toole: First of all, the second failure of the previous version of this—which you had a role in and are quite knowledgeable of, the service board model, which is basically the same thing. You're right: The same groups—the Toronto Board of Trade, the chambers of commerce—have all been calling for this, and now they're saying they're doing it. Actually, this is a framework; there's actually nothing in it. We've got to make it clear here in our amendments, on the simple one day of adding—quite frankly, on behalf of John Tory, we want this thing to work.

Mr. Rodgers: If the government chooses not to take the advice of the groups that are advocating an alternative governance model, I am seeing the suggestion that we've made about the statutory review as the oversight that the Legislature ultimately has if the representatives who are appointed to the board are not performing to the expectations that the government originally contemplated. I

would also suggest that there would be nothing wrong with municipalities saying, "We have very qualified people who live in our community, who understand transportation and transit etc., and we would be well served by having them on the board," perhaps, rather than just all politicians. I don't think that's going to happen, though.

Mr. O'Toole: I appreciate your input, Neil, very much.

The Chair: Thank you for your presentation before the committee.

TORONTO BOARD OF TRADE

The Chair: Now I call on the Toronto Board of Trade to come forward, please.

Good afternoon. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Ms. Angela Iannuzziello: Thank you very much. Mr. Chair, thank you for the opportunity to present our comments to the committee this afternoon. My name is Angela Iannuzziello, and I'm the chair of the Toronto Board of Trade's infrastructure committee. With me today is Cecil Bradley, who's the vice-president of policy at the Toronto Board of Trade, and Elaine Shin, one of our policy advisors, who was really the lead in drawing up our deputation for today.

Let me start by saying, on behalf of Toronto's business community, how much we really appreciate the introduction of the draft legislation for the creation of the Greater Toronto Transportation Authority. Our 10,000 members, who make up a broad cross-section of industry and size of businesses, tell us that traffic gridlock continues to be one of their top three business concerns. The Toronto Board of Trade has long called for the establishment of the GTTA, and you'll find our detailed opinions on the need for this body and on how it should be constituted in the policy papers that are included in our submission brief.

This is Ontario's chance to create a legacy in its economic heartland, to establish a system that will help to tackle gridlock today and to prevent it from growing tomorrow and that will help to ensure the quality of life and the standard of living for our city, our region and our province. To us, it's important that we get this right the first time around and not repeat the mistakes of the previous Greater Toronto Services Board. I think you've heard this.

While the board welcomes the intent of Bill 104 and commends the government on living up to its commitment, we are concerned that this legislation does not, in its current form, provide the proposed GTTA with the tools needed for its success. The GTTA requires real authority to provide leadership, substantial resources to deliver its plans, and a governance structure that makes decisions for the benefit of the broader community.

First, the board believes that Bill 104 should empower the GTTA to act in all ways that are necessary to plan,

finance and implement transportation infrastructure in this region. The agency must have the authority to execute its regional plan, which will guide others in building a stronger regional transportation system and to push for its transportation strategies to be reflected in municipal planning.

Secondly, the costs to implement the strategy will far exceed the funding that has been identified, and therefore we strongly recommend that the legislation specify a range of revenue sources that are segregated for the GTTA to draw from to implement the transportation plan. Without the funds to support the implementation, the agency will find it difficult to garner co-operation from the municipalities or to provide the investor confidence required to attract private sector investment in transportation infrastructure.

Our submission brief contains a discussion paper outlining many options for financing the GTTA. We're not advocating any specific method or a mix of the methods, just simply stating some options that could be available. The government must decide soon how it will ensure sufficient funding.

Lastly, the board recommends that Bill 104 set out specific criteria and qualifications to help the regions select their representatives for the GTTA board and to guide the Minister of Transportation in making appointments to the board.

An effective GTTA will require governors with a firm understanding of transportation systems and planning and infrastructure financing, who are able and willing to make decisions that benefit the entire region. With a board of directors dominated by elected officials, there is a serious risk that parochial interests would impede real progress.

This government has taken the vital first step of introducing legislation, backing up its words with action. Now we need to make sure those actions match your intent and the real-world needs.

We look forward to working with you to improve Bill 104 so that the GTTA has the powers and financial clout it needs to be successful. Thank you.

1620

The Chair: Thank you. This round of questioning will go to the NDP.

Mr. Tabuns: Thank you for your presentation; I appreciate it.

In its current form, without amendment along the lines that you're proposing for governance authority and financing, will this bill have a measurable impact on gridlock and congestion in the GTA?

Ms. Iannuzziello: We believe that the impact on gridlock will not be significantly improved. The—

Mr. Tabuns: That's a straightforward enough statement, thank you.

With the changes that you have put forward, to what extent do you believe that this authority, with the work program or the objects given to it, could reduce gridlock?

Ms. Iannuzziello: The reduction of gridlock is a question that is affected not just by the available alternatives

but also is affected by the growth and the economic development within the region. The important impact, we believe, of the ability of the Greater Toronto Transportation Authority to improve transportation infrastructure is to provide an attractive alternative so that people have choice in terms of moving around adequately within the region. So the impact on gridlock is really to give people an opportunity to either avoid it or to find a different alternative. Right now, today, we don't have any.

Mr. Tabuns: At this point, the board of trade has not done an analysis to show what the potential would be from a fully functioning, fully resourced, enabled authority. Is that correct?

Mr. Cecil Bradley: I think it's fair to say that we haven't done any modelling, because the modelling has to presume a certain plan. One of the things that we openly acknowledge is missing in the region is a transportation plan.

Mr. Tabuns: Fair enough.

Ms. Iannuzziello: One other—if I may add?

Mr. Tabuns: Yes, please.

Ms. Iannuzziello: One other item to recognize as well is that when we take a look at a transportation plan, in the city of Toronto and the greater Toronto area that we're dealing with here, we really do have a lot of catching up to do in terms of our available infrastructure. We've gone many, many years without adequate investment and building of infrastructure to keep up with the growth that has already taken place in this region. So we've got a lot of catching up to do first.

Mr. Tabuns: Just on the smart card, because the board of trade has a fair amount of policy resources—I've read your reports in the past—how do you think revenue from the smart card should be apportioned between the different member municipalities that would be covered by this GTTA? Obviously, if you pay \$1.50 or \$3 in Hamilton and at the end of your trip you're in Oshawa, a number of authorities will have some claim on those initial dollars. How do you see apportioning those funds?

Ms. Iannuzziello: My understanding of the smart card is that it is a tool to assist in the collection of fare revenue that is currently collected by a number of different mechanisms. The fares that are currently received are really to offset the costs of running the municipal transit services and certainly some of the inter-regional services that are currently being made available. The question in terms of reallocating the fares is not necessarily just a question of a smart card but is really a question of how we reallocate revenues and the impacts on the costs of providing transit—not just municipal transit, but transit—in the greater region.

The Chair: Thank you for your presentation before the committee.

Mr. Tabuns: Yes, thank you very much. I appreciate it.

CITY OF TORONTO

The Chair: I now call on the city of Toronto to come forward, please.

Good afternoon. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I'd ask you to identify yourselves for the purposes of our recording Hansard.

Ms. Sandra Bussin: I'm Sandra Bussin, city councillor, Beaches-East York, ward 32, and deputy mayor for the city of Toronto.

Mr. Howard Moscoe: I'm Howard Moscoe, chair of the Toronto Transit Commission.

Ms. Bussin: Thank you for this opportunity to appear before the standing committee today to speak about Bill 104. Mayor Miller could not attend today, as he is at the FCM meetings in Montreal. I'm here with Howard Moscoe, the chair of the Toronto Transit Commission.

This city of Toronto and TTC response to Bill 104 is based on the critical importance of TTC services to the growth and development of the city of Toronto and the GTA. The TTC carries 1.4 million passengers a day and accounts for 80% of all transit trips in the GTA. Toronto's success, identity and culture as a city are inextricably tied to the TTC. As demonstrated by events on Monday, the TTC is critical to the economy and quality of life in Toronto and the entire GTA. The city of Toronto supports coordinated transportation planning across the GTA. Given the TTC's vital role, we all need to ensure that this initiative also supports the health and future of the TTC. A strong TTC is a strong GTA.

Bill 104 proposes a governance and accountability structure that clearly defines the GTTA as a crown agency. As the GTTA is to coordinate transportation planning across the GTA and Hamilton, the authority will need to effectively engage the participating municipalities, not just the board members, in collaborative decision-making or coordination of municipal infrastructure investments. In order to do this, Bill 104 should include provisions for involving the participating municipalities in business planning and annual reporting of the GTTA.

We recommend that Bill 104 be amended to provide that the GTTA business plan be submitted to and approved by the minister and by the participating municipalities. We recommend that Bill 104 be amended to provide that the annual report be submitted to the minister and the participant municipalities. We also recommend that Bill 104 specify that meetings of the board will be open and subject to the same provisions as the proposed city of Toronto act and the Municipal Act.

Bill 104 provides the GTTA with duties and responsibilities that could have a significant impact on municipalities. The bill also provides for the making of regulations that could significantly alter the powers and responsibilities of the authority, including regulations for raising revenue. It is anticipated that the actions of the authority could have financial implications for the participating municipalities.

1630

We recommend that Bill 104 be amended to provide that, prior to the minister making any regulation or the GTTA taking any action that would have a financial impact on any participant municipality, the consent of the affected participant municipalities must be obtained. This is consistent with a respectful government-to-government relationship and the principles included in the proposed city of Toronto act. As the GTTA is a crown agency, we request confirmation that the operating costs it incurs will be the responsibility of the province and not passed down to the municipalities.

Toronto supports the creation of the GTTA and providing it with the responsibility to develop a transit-supportive transportation plan consistent with the Places to Grow growth management strategy. Toronto supports the authority having a leadership role in coordinating decision-making and investment for the provision of transportation infrastructure and services. These are both positive and long-awaited steps. However, capital plans and priority setting cannot be developed without the funding to implement them. Maintaining and rehabilitating transit infrastructure and replacing transit vehicles is very costly. Building new transit facilities and expanding services is costly. Keeping roads in good repair is costly.

Significant progress has been made in recent years with the provision of provincial and federal funding that has permitted addressing the most pressing TTC needs of vehicle replacement and facility rehabilitation. Will the GTTA provide new funding to significantly improve transportation and extend transit services in the GTA? Will the TTC have sustained, predictable funding to keep TTC infrastructure in a state of good repair to continue serving over 1.4 million riders a day?

The answer is, we don't know. The province has not announced any new funding in conjunction with the GTTA or suggested that existing funding may be altered or realigned. Transportation, and specifically transit in the GTA, has been underfunded for many years, leading to the current congestion problems that could ultimately stymie our growth.

Increased funding is necessary to maintain and rehabilitate existing transportation infrastructure and services and to aggressively expand transit to accommodate the additional two million residents expected in the GTA. Significant investment in GTA transportation is necessary for the GTA to maintain its strong economy and quality of life that is critical to our province and our country.

I'll now turn it over to Howard.

Mr. Moscoe: This legislation is flabby. It lacks content. It will therefore be written by regulation. Because there's a financial commitment at stake, we're wary that the TTC will get the short end of the stick. That will not serve the people in this region well, and we must be party to the writing of the regulations that will determine the ultimate powers of the GTTA.

The TTC is the largest transit operator in the country, carrying over 430 million trips a year and growing. The TTC operates at the lowest operating subsidy in the GTA by recovering 78% of its operating costs through the fare box. The TTC has over 2,400 buses, streetcars and subway vehicles. More than 10,500 men and women are employees of the TTC. The TTC has sophisticated business practices developed over decades of experience.

It's interesting that when the minister announced this legislation, he asked each transit system to bring a bus. We were tempted to bring 10 buses, three streetcars and a subway train to demonstrate the size of the TTC compared to the other transit systems. The TTC is the elephant in the room. When there's a disruption in service, as there was earlier this week, it affects the entire GTA. Most of the transit services outside of Toronto are dependent on the high level of effective integration that currently exists between the TTC and other systems. The TTC, for example, provides all the north-south routes, 50% of the transit service, in York region.

The TTC is different than any other transit system. It's impractical and counterproductive to apply the same rules and practices to the TTC as to other transit operations. While the TTC and Toronto do not object to the GTTA having the responsibilities for transit vehicle and equipment procurement and the transit fare card system, we do have a great concern if Bill 104 makes city and TTC participation in these programs mandatory.

The TTC is the largest purchaser of transit vehicles in the country and the third largest on the continent, behind Mexico City and New York. We have developed specifications and procedures for purchasing that are effective, timely and provide the TTC with the best value for money. There is no benefit for the TTC to have its procurement activities provided by the GTTA, and there may be significant disadvantages in terms of delay and costs. The TTC is more than willing to share its procurement expertise with other transit systems and the GTTA and, where appropriate, include orders for other transit systems when making purchases. But you're attempting to mate an elephant and a mouse: It can be done, but it has to be done very, very carefully. We recommend that Bill 104 be amended to clarify that participation of any transit system in GTTA procurement activities is optional and not mandatory.

The TTC has been a participant in the Ministry of Transportation's fare card study since late 2004, but it has not committed to long-term participation in the fare card program. The TTC has made it clear that there is no need to replace its fare collection system and that, given the size and complexity of the TTC system, any change to the fare system would incur enormous costs. Consideration of a new fare collection system for the TTC system requires a comprehensive review and assessment of the costs and benefits in the short and long term. Such a review is currently under way. The future of the TTC fare system should be determined by the TTC and the city of Toronto. It is essential that any changes to the TTC fare system meet the needs of its 1.4 million riders.

We are recommending that Bill 104 be amended to clarify that the participation of any transit system or municipality in the unified fare collection system is optional and not mandatory.

With respect to GO Transit, the city and the TTC recognize the high level of service and valuable contribution that GO makes to transportation in the GTA. We also recognize that GO has successfully weathered a number of changes to its governance and accountability in recent years. We urge the provincial government to ensure that the transition to the GTTA for GO Transit is as seamless as possible. We note that municipalities are currently required to pay a portion of GO Transit funding. We expect that the authority will provide municipalities paying into GO a say in how the funding is spent and how much is contributed.

The handouts of these remarks include the specific amendments we have outlined as well as additional technical and procedural amendments we urge the committee to recommend to the Legislature. We've also included an overview of TTC purchasing procurement for your information.

I thank you for this opportunity to address Bill 104. We'll be happy to take questions.

The Chair: Thank you. This round of questioning will go to the government. Mr. McNeely.

Mr. McNeely: Thank you for the presentations. I can see where the TTC is a very large part of the overall transportation in this much enlarged area that we're talking about. You mentioned some of the things that you see are necessary. Would you go through some of the positive things that you see about the direction we're going, to look at the full area from Hamilton to almost Oshawa?

1640

Mr. Moscoe: We've always been a supporter of co-ordination of public transit systems. I think people have to realize that there will be 10 million people who have to be served by public transit in this region in the next decade, and the only way you're going to do it is to enhance public service. We work very closely with our compatriots in the other transit properties and we wish to continue to work closely with them. This bill can provide us with opportunity for further co-operation.

Mr. McNeely: The investments that are coming up with GO Transit—I believe there's almost \$1 billion in improvements from the federal-provincial agreement. You have, under Move Ontario, major dollars. I think in 1996—I was just looking at ridership, and there hasn't been much increase in travel on the TTC in those 10 years.

Mr. Moscoe: No, that's actually inaccurate. We projected our ridership to be a 1% increase annually. We're experiencing a 3% annual increase in ridership. We're short 300 buses this year over our projections, which we have no money to purchase yet.

Mr. McNeely: This relates, I think, to the new federal dollars coming to support public transit. I'd just like your opinion on that. For most cities, I think it's probably a

positive thing. For your city, you've just said that you haven't got your full capacity now. What are your comments on that? Is that the right direction to go?

Mr. Moscoe: The money that's coming is welcomed, both from the province—two cents a litre—and the five cents a litre from the federal government, plus the Jack Layton amendment that provides additional funding. But given all that, nobody should have the impression that we're financially rich. In fact, we're barely meeting service in terms of the capital costs of our system, and we don't have enough to provide vehicles for the annual growth of our system at the moment. So we're really starving. We're happy that the province and the feds have come to the table, finally, and tried to restore some of the funding, but we are nowhere near where we were with the previous governments.

Ms. Bussin: I think too—I'm also a TTC commissioner—each year we look at which routes we need to pare, because we still don't have sufficient funds to provide the level of service that we wish to give. That level dropped significantly when our share of provincial funding to the TTC dropped considerably in past years. I'm sure you're reading in the paper that we now have Scarborough councillors and residents requesting that there be improvements to public transit in Scarborough, that our light rail is failing, that we're trying to make decisions that aren't necessarily the best, based on limited funds. We are hopeful, of course, that we will see the extension of the Spadina expressway—subway; sorry. But also, the Sheppard line is critical to the continuation of providing appropriate movement of our riders. It's only four stops at this time. I think too we need to be looking at whether or not those stops should be closer together, because it's still not encouraging people to get out of their cars and take public transit.

Mr. Moscoe: You may recall that the Rae government committed to four new transit lines. The Harris government scrapped them all except one, which was too far constructed, and that's the Sheppard stubway, which should have gone to the Scarborough Town Centre. So that was a major setback for the growth and expansion of public transit in this region.

The Chair: Thank you for your presentation.

SOUTHERN ONTARIO GATEWAY COUNCIL

The Chair: I'd ask the Southern Ontario Gateway Council to come forward, please. Good afternoon. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I'd ask you to state your name for the purposes of our recording Hansard.

Mr. John Best: My name is John Best and I'm the executive director of the Southern Ontario Gateway Council. I thank you for this opportunity to appear before this committee and present the views of our organization on Bill 104.

We are a relatively new organization that brings together most of the major transportation stakeholders in the southern Ontario region. The Southern Ontario Gateway Council was conceived in early 2005 as a means of trying to provide a multi-modal, multi-jurisdictional approach to transportation planning in southern Ontario. Our members represent virtually every sector and most of the political jurisdictions in the region, including both national railways—Canadian National and Canadian Pacific—the airports of both Toronto and Hamilton, the port authorities of Hamilton and Toronto, Purolator Courier, St. Lawrence Seaway Management Corp., Railway Association of Canada and Ontario Trucking Association. Our resource membership list includes virtually every municipality in the GTA, along with key stakeholders like the Automotive Parts Manufacturers' Association, numerous chambers of commerce and boards of trade. Our membership also includes both the federal and the Ontario transportation ministries. When I mention the senior levels of government, I'd like to mention that at our inception last year, we secured the agreement of both the federal and the Ontario ministers of transport to serve as our honorary co-chairs. We're in the process of renewing that invitation now to the current holders of those posts and we're optimistic that we'll get a positive response.

We're unique as an organization in that we bring together all levels of government, most of the major transportation providers and other key transportation stakeholders, including—and we think this is important—key private sector players in an advisory organization whose goal is to ensure that transportation planning in southern Ontario is multi-modal and multi-jurisdictional in its approach. Of course, that is clearly what the GTTA legislation purports to do. This multi-modal, multi-jurisdictional approach seems like a simple concept, but the reality is that up until now there's been no single organization with this mandate in southern Ontario. Transportation planning has historically been very compartmentalized in Canada, highways being a provincial responsibility, local roads a municipal responsibility—of course, we have 25 municipal jurisdictions in the GTA alone—and rail, marine and air have been traditionally regarded as federal responsibilities. Similarly, there has been very little planning and collaboration taking into account the five different modes of transportation: road, air, rail, marine etc. So the various modes of transport have tended to address their issues in isolation from the other modes, and hence opportunities have been missed.

We think that the Southern Ontario Gateway Council will become a valuable resource in ensuring that transportation policy and planning in southern Ontario proceeds in a manner that capitalizes on the strengths of the existing transportation network, enhances multi-modalism and is strategic in its approach to the expansion of the system. Our goal is to promote and preserve the economic competitiveness of the southern Ontario gateway in the global economy, to provide advocacy and

research that will ensure that whatever transportation solution is in front of us, it is the best possible solution for the region. What we offer governments, clearly, is an opportunity to reach many of the major stakeholders in one forum as government works to develop policy or plan infrastructure.

Our council is patterned after very successful gateway councils in Vancouver and Halifax. If I could refer to the Greater Vancouver Gateway Council, which has played a very successful role in helping develop good transportation initiatives in the BC lower mainland for the last 10 years, I would point out that they have an excellent working relationship with the Vancouver equivalent of the GTTA, which is called TransLink there. In fact, the executive director of TransLink is actually a very active member of the Greater Vancouver Gateway Council.

1650

So from the standpoint of the Southern Ontario Gateway Council, our first point with regard to Bill 104 is that we think the GTTA has the potential to cut across some of the jurisdictional barriers that I alluded to earlier, and we're excited about the possibility of working closely with the GTTA as it takes on the task of integrating transit and planning infrastructure for the greater Toronto and Hamilton areas. Indeed, we are open to considering some sort of formal, ongoing relationship that might include membership or representation of the one body on the other. That's entirely open, in our view.

We support the GTTA concept in part because, although our primary focus is on goods movement and economic development, we recognize that the transit portion of GTTA's mandate is critical to maximizing the efficiency of the transportation network in southern Ontario. The more people can access public transit, the more road capacity is freed up for the movement of goods and services. We all know that there are limitations from a financial and land use standpoint for future massive expansions of the highway system, so efficient use of the existing system is critical.

Freight traffic through and within our region will grow by more than 40% by 2020. During the same period, we'll add two million to two and a half million people to our population. Integrated transportation planning, both with regard to public transit and the movement of goods and services, is crucial.

I referred a moment ago to TransLink in lower mainland BC. We know that this government has looked closely at the TransLink model in developing Bill 104, and we know that undoubtedly you've been made aware that there are those who feel that TransLink would have been more effective had it had better access to funding and a stronger mandate for resolving planning disputes. A number of our members on the Southern Ontario Gateway Council have been involved in the development of the position paper that you're receiving from the Ontario Chamber of Commerce, and I would tell you that the Southern Ontario Gateway Council is in general concurrence with the Ontario chamber position.

Without getting into the details of governance structure and funding mechanisms, what we know for sure is that effective, region-wide transportation planning will require a robust organization that can prevail in the face of parochial political considerations, and it needs to have decision-making powers, which normally implies some independent access to funding.

We know that the government understands this because the greenbelt and Places to Grow initiatives for the first time addressed the need to introduce broader planning concepts that crossed multiple jurisdictions, and most would agree that there has been success. There is a much more coordinated approach to planning in the GTA than existed before. People are starting to think about land planning in regional rather than hyper-local terms. Hopefully, the Greater Toronto Transportation Authority can do for integrated transportation what has been achieved for land use through greenbelt and Places to Grow. We would add, however, that just as green space needs to be protected, so too do transportation corridors. They must be preserved for future use.

The Southern Ontario Gateway Council, focused as it is on coordinated planning and maximizing efficiency in the transportation system, will be a strong supporter of the Greater Toronto Transportation Authority. We will seek to form a collaborative and supportive relationship with the GTTA, whatever that form ultimately takes, and we very much support the view that the agency should possess the tools that it needs to do the job that it's being asked to do.

Thank you for your attention, and I'm happy to answer any questions you may have.

The Chair: Thank you for the presentation. This round of questioning will go to the official opposition. Mr. O'Toole.

Mr. O'Toole: Thank you very much, Mr. Best, for an interesting presentation—kind of different from what we've heard traditionally over this very short and limited public consultation on this bill. I'd just like to comment that you concur, I think as you said, with the Ontario Chamber of Commerce, but I'd also like to commend to your attention the Toronto Board of Trade's work on this, as well as the TTC, whose submission you've just heard here today.

The idea you mentioned, the multi-modal, is extremely important. In fact, that's what has been somewhat missing from some of the presenters, if you have been watching or listening. It has been focused on transit, and that's the problem. You can't plan when your eyes are closed or only looking at one object. As Howard Moscoe said, there needs to be a plan, and I couldn't agree more.

I was intrigued when I looked at your membership list, because it's all linked ultimately to the economy. If I go back to 1994, when the economy was tanking and we had a huge deficit—and it wasn't Bob Rae's fault, nor Floyd Laughren's; it's kind of the cyclical nature of things, I guess—there was no gridlock. I drove from Durham, and it was about an hour and 10 minutes; now it's two hours and 10 minutes, and we have a full economy. So how you

size the capacity of the infrastructure is very important. This is an economic issue. It's an environmental issue. We had a presentation this morning from the SMART group, who talked about the amount of greenhouse gases related to idling in gridlock.

I just wanted to commend you for bringing that perspective and for volunteering to be consulted. I'd certainly like to get your card and talk to you, because we're doing a lot of work on gridlock, a broader look, similar to what you're doing, right from the border issues in Windsor straight through to Hull, that backs up right through the whole 400 series into Hamilton and Toronto, how it affects our economy and the drag on our economy as related to all those parts.

But one of the more recent reports I've read—I was going to ask if you're familiar with it. The automotive parts manufacturing sector just issued a report, and I kind of responded to it in Hamilton a couple of weeks ago. I was giving some remarks, and quite an informed group of presenters talked about the Red Hill Creek Expressway. This is not unique to Toronto. It can't be Toronto-centred. I like your idea that this should be a broadened membership, integrating the links in Northumberland as you move out beyond into Woodstock, as you move out into Ontario. That's where the province has a role. They really certainly do. On highway size they do for sure. Now they need to have one on the transit, GO and the fixed rail side. Am I totally blowing smoke here? There's nothing in this bill, technically.

Mr. Best: Our view is that we want the GTTA to succeed in its role, because we don't think transportation planning can be focused strictly on Toronto. I certainly don't want to join the debate that occurred earlier, but our view is that what has been missing almost forever has

been any sense of—there's so much, for instance, road and highway planning that takes place within municipalities. Visiting and talking to our own members as we put the organization together, if you visit a regional headquarters and you're sitting in a boardroom having a discussion, typically in a municipality's office there's a map on the wall, a map of the region, and typically it's got a big black line around the outer edge of the region on the map. I think that's symbolic of the problem we have, certainly at a municipal level, trying to address problems against huge financial challenges. To add that layer of thinking outside of how something in Durham might ultimately impact something in Halton region, for instance, is going to have to take us to another level. I think that's what our organization is going to endeavour to do. We really see this as a multi-jurisdictional requirement—

Mr. O'Toole: And multi-modal, as you said.

Mr. Best: —and multi-modal, very definitely, because certain parts of the system are close to being maxed out. Obviously the highway system is under great stress.

Mr. O'Toole: But here's the problem, if I could interrupt. We're very limited here in time, unfortunately. The problem is this—

The Chair: The time allotted for questions is completed, Mr. O'Toole.

Mr. O'Toole: See how this isn't a fair process?

The Chair: Thank you for your presentation.

That concludes our hearings this afternoon. I want to remind committee members that proposed amendments to be moved during clause-by-clause consideration of the bill should be filed with the clerk by noon on Monday, June 5. We are adjourned.

The committee adjourned at 1700.

CONTENTS

Thursday 1 June 2006

Greater Toronto Transportation Authority Act, 2006, Bill 104, <i>Mrs. Cansfield</i> / Loi de 2006 sur la Régie des transports du grand Toronto, projet de loi 104, <i>M^{me} Cansfield</i>.....	F-471
Subcommittee report	F-471
City of Mississauga	F-471
Ms. Pat Saito	
Mr. Terry Goodwin	F-474
SMART, McMaster University.....	F-475
Mr. Robert Hicks	
Mr. Andrew Schulz	F-478
Ontario Chamber of Commerce	F-480
Mr. Len Crispino; Mr. Stuart Johnston	
City of Brampton.....	F-482
Ms. Elaine Moore; Mr. Clay Connor	
Urban Development Institute	F-484
Mr. Neil Rodgers	
Toronto Board of Trade	F-486
Ms. Angela Iannuzziello; Mr. Cecil Bradley	
City of Toronto.....	F-488
Ms. Sandra Bussin; Mr. Howard Moscoe	
Southern Ontario Gateway Council.....	F-490
Mr. John Best	

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F-13

F-13

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Official Report of Debates (Hansard)

Thursday 8 June 2006

Journal des débats (Hansard)

Jeudi 8 juin 2006

**Standing committee on
finance and economic affairs**

**Comité permanent des finances
et des affaires économiques**

Greater Toronto
Transportation Authority
Act, 2006

Loi de 2006 sur la Régie
des transports du grand Toronto

Chair: Pat Hoy
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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRS

Thursday 8 June 2006

*The committee met at 0907 in room 228.*GREATER TORONTO
TRANSPORTATION AUTHORITY
ACT, 2006LOI DE 2006 SUR LA RÉGIE
DES TRANSPORTS DU GRAND TORONTO

Consideration of Bill 104, An Act to establish the Greater Toronto Transportation Authority and to repeal the GO Transit Act, 2001 / Projet de loi 104, Loi visant à créer la Régie des transports du grand Toronto et à abroger la Loi de 2001 sur le Réseau GO.

The Chair (Mr. Pat Hoy): The standing committee on finance and economic affairs will now come to order. Good morning, committee members. We are here for clause-by-clause consideration of Bill 104. Are there any comments, questions or amendments to any section of the bill?

I should start out by saying that everyone should have a package of amendments. There are other amendments forthcoming. It was agreed upon that amendments should be in at a certain prescribed time, but that doesn't preclude other amendments from coming forward at a different time, such as this morning. We'll try to ensure that committee members know where we are as we move through a package that has been added to.

We're ready to begin. My understanding is that there is an NDP motion, the first motion of the morning.

Mr. Peter Tabuns (Toronto-Danforth): I move that subsection 1(1) of the bill be amended by adding the following definition:

"'participant' means a municipality listed in clause 9(2)(b) and any prescribed municipality."

My reason for moving such a motion is that I'm concerned that you may well rule out of order a motion that I have to place further down in the clause-by-clause discussion, a motion that relates to the funding of this Greater Toronto Transportation Authority. It's my concern that if you rule that out of order, there will not be provincial funding going into this project as needs to go into this project. There will not be a statutory requirement for funding and thus much of the objects that are outlined in this legislation will fall on the backs of the municipalities that make up the GTA. On that basis, I'm going to be putting forward a series of amendments that would give those municipalities a greater say in the

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Jeudi 8 juin 2006

workings of the GTTA as a whole. Thus I am going to start here by ensuring those member municipalities have greater power in this project.

The Chair: Further comment?

Mr. Phil McNeely (Ottawa-Orléans): The definition is not required since the term is used only for amendments that are not being supported by our government. So we'll be voting against this.

The Chair: Further comment? Hearing none, all in favour? Opposed? The motion is lost.

Shall section 1 carry? All in favour? Opposed? Carried.

Shall section 2 carry? All in favour? Opposed? Carried.

Shall section 3 carry? All in favour? Opposed? Carried.

Now we move to section 4, page 2 in your package. We have a motion.

Mr. McNeely: I move that the French version of paragraphs 1 and 2 of section 4 of the bill be struck out and the following substituted:

"1. La Division de la carte de transport en commun.

"2. La Division de l'approvisionnement en transport."

These are just more definitive words for the French translation.

The Chair: Further comment?

Mr. Tabuns: I wish to speak on this section as a whole. I don't have a problem with the amendment to the section. Do we deal with the amendment first?

The Chair: We'll do that first, just to keep everybody on track.

Mr. Tabuns: Fine. I have no objection.

The Chair: Do you have a comment to the amendment, Mr. O'Toole?

Mr. John O'Toole (Durham): Yes. First of all, on this bill here and the process for the amendments, I'm just now receiving the amendments. I received a package which apparently, according to the clerk, is not sequential or the one we're dealing with. I'm still trying to catch up here. That's the problem with this hasty process here of allowing amendments later on when in fact we had to have them in on Monday at noon. It's just how this government operates. It really is quite frustrating, let's put it that way. Go ahead. I'm just trying to exercise my right to be frustrated.

The Chair: I did mention at the opening of today's meeting that amendments could come from the floor if we did wish to have amendments—

Mr. O'Toole: That's not what the report said. The report said that amendments would be filed Monday at

noon. I wasn't consulted as to whether there was to be an exemption to that. You, as the Chair, only conduct the business; you don't make the rules.

The Chair: The agreement was permissive. And now we'll go to—

Mr. O'Toole: That's not the point. As the Chair, you would consult the committee on that, and the Liberals, of course, would agree with you because you're a Liberal, but—

The Chair: You could make—

Mr. O'Toole: Anyway, that's fine. We would have liked to have had more time on this, quite frankly. To be told Thursday or Friday that it had to be due Monday put me to an exceptional amount of work. I actually did the drafting. None of you have even seen the amendments. It's all done by your whiz kids. We haven't got any whiz kids that—

The Chair: Should you wish to put forward other motions, you could.

Mr. O'Toole: That's fine. We've got amendments. We'll deal with them, and you'll vote them all down.

The Chair: We're dealing with the amendment, and then I will put that question. Then Mr. Tabuns wants to make a comment to the whole section, which I'll allow.

Interjection.

The Chair: I'm going to call the question first, if that's all right.

Mr. Tabuns: No problem.

The Chair: We're talking to the page 2 amendment in your package. All in favour? Opposed? Carried.

Now you may make comment to the section, if you wish.

Mr. Tabuns: My concern is related to this section and it shows up in "Objects" as well.

The corporation has the following divisions: farecard and transportation procurement. But in fact this corporation is also operating the GO Transit system, and I'm concerned that neither in "Objects" nor in "Divisions" is there reference to the ownership and operation of the GO Transit system. GO Transit is not the farecard division and it's not going to be transportation procurement, and I'm concerned that a significant piece of this whole puzzle—in fact, in dollar terms, the most significant piece of this whole puzzle—is not referenced here. Can the government give reasoning as to why it is not a division of this corporation?

Mr. McNeely: I think we might have legal come up and get into that, because we'll be dealing with it later on.

The Chair: Would you please identify yourself for the purposes of Hansard.

Mr. Ross Flowers: My name is Ross Flowers. I'm with the Ministry of Transportation legal branch.

If you look at section 50 of the bill, I think you'll notice that in subsection 50(2) the GO Transit division does become part of the corporation when GO Transit is dissolved. You'll also see throughout that section that its responsibilities are noted by a subsequent amendment to the objects of the corporation.

Mr. Tabuns: The question that I have, though, is this: You've got explicit reference to farecard and transportation procurement but you don't have explicit reference to what will be the single largest operating entity within this corporation. Why is that? Why not in the divisions and why not in the objects?

Mr. Flowers: It is in the divisions. Subsection 50(2) says, "On the day section 49 is proclaimed"—and 49 is repealing the GO Transit Act—"section 4 of this act," which is what the committee is now discussing, "is amended by adding the following paragraph:

"3. GO Transit division."

0920

Mr. Tabuns: My apologies.

The Chair: Further comment? Hearing none, shall section 4, as amended, carry? All in favour? Opposed? Carried.

Now, in your package, page 3, a PC motion.

Mr. O'Toole: I move that clause 5(1)(a) of the bill be amended by striking out "to provide leadership in the co-ordination, planning, financing and development of" at the beginning and substituting "to co-ordinate, plan, finance and develop."

The Chair: Thank you. You have a comment?

Mr. O'Toole: The purpose of this is actually to give it some action-oriented language which would strengthen the function of this new transportation authority.

The Chair: Further comment?

Mr. McNeely: We will not be supporting that motion. This removes the underlying concept of the GTTA, that it shows leadership and builds consensus amongst the municipalities and other stakeholders. So we will not support this amendment.

Mr. O'Toole: I'd ask for a recorded vote on this, please.

The Chair: A recorded vote has been requested. Is there any other comment? Thank you. I'll call the question.

Ayes

O'Toole.

Nays

Marsales, McNeely, Mitchell, Ramal, Sandals, Tabuns.

The Chair: The motion is lost.

Page 4 in your package, a government motion.

Mr. McNeely: I move that clause 5(1)(a) of the bill be amended by adding "and complies with other provincial transportation policies and plans applicable in the regional transportation area" after "regional transportation area."

The purpose of this change: To broaden the GTA, it has to conform with the Places to Grow Act, but also comply with other plans and policies of the province applicable to transportation and the GTTA. We felt this

amendment was required. It ensures the GTTA must comply with any provincial transportation-based plans.

The Chair: Comment?

Mr. Tabuns: I have an amendment further on that is somewhat more comprehensive than this amendment put forward by the government. If I could ask legal counsel, is there a contradiction, is there a problem if in fact we vote for this and at a later point vote in favour of my amendment that asks or directs that this bill be consistent with policy statements issued under the Planning Act, the Greenbelt Act and the Oak Ridges Moraine Conservation Act? That's amendment 14. Will there be a contradiction between the two?

Mr. Flowers: I believe that to the extent that those pieces of legislation also deal with plans and policies of the provinces, adding this language in 5(1)(a) would not be inconsistent with the subsequent amendment that you're proposing.

Mr. Tabuns: Okay. If I vote for this one, it does not preclude then voting for the next?

Mr. Flowers: In my view, that's correct.

Mr. Tabuns: Okay. Thank you.

The Chair: Any other comment? Hearing none, I'll put the question. All in favour? Opposed? Carried.

Now, page 5, a PC motion.

Mr. O'Toole: I move that the definition of "multi-modal" in subsection 5(2) of the bill be amended by adding "transportation services for persons with disabilities" after "buses."

The Chair: Comment?

Mr. O'Toole: The intent here is to address the accessibility issue in a broader term. I would move that as a friendly amendment and hope that the government is receptive to recognizing it's important to put this in the bill.

The Chair: Comment?

Mr. McNeely: We agree with the intention of the amendment, but it's not appropriate, as "transportation services for persons with disabilities" is not a mode of transportation. That's what would be included in there. The municipalities, GO Transit and other transportation providers will continue to work to make transportation accessible. It's not the proper place to put that in. We will be voting against that motion.

The Chair: Further comment? I'll put the question. All in favour? Opposed? The motion is lost.

If members of the committee would look, we have a further motion to this section 5. It's an NDP motion in a separate package.

Mr. Tabuns: The motion has not been circulated back to me. It has been, sorry.

The Chair: It deals with clause 5(1)(c).

Mr. Tabuns: I will withdraw it. Clarification from counsel has shown me that in fact the matter is addressed in the act.

The Chair: Thank you. Shall section 5, as amended, carry? All in favour? Opposed? Carried.

Now we move to section 6, page 6 in your package, a PC motion.

Mr. O'Toole: I move that clause 6(1)(a) of the bill be amended by adding at the beginning "within one year after it is established under section 2."

The Chair: Any comment?

Mr. O'Toole: The purpose of that is to give a little stronger direction to the start-up of this important function.

The Chair: Further comment?

Mr. McNeely: We will not be supporting that amendment. The time frame for completion of the transportation plan should be more appropriately put into the GTTA business plan and the memorandum of understanding with the Ministry of Transportation. It would be nice to get the transportation plan early, but we have to look at how the new authority is going to work. We will be voting against this amendment.

The Chair: Further comment? Hearing none, I'll put the question. All in favour? Opposed? The motion is lost. Another PC motion.

Mr. O'Toole: I move that clause 6(1)(b) of the bill be struck out and the following substituted:

"(b) manage and fund integrated transportation across the regional transportation area."

That's just bringing more specifics, if I may, to the current language of the bill. We want to be on record as being supportive, but find that this particular structure is more of a skeleton without any meat on it. It doesn't provide any deliverables. We're convinced it's doomed to fail by the structure and lack of funding. This just brings a little bit more structure to it.

The Chair: Thank you. Further comment?

Mr. Tabuns: I have concerns that are similar to those of Mr. O'Toole about a lack of funding or right to funding for this entity that will be created by this bill. I'm very concerned in fact that it will be a shell. Given the likelihood that the language on finances, as written, will stand, the only place where this corporation could actually get money would be out of charges to municipalities or out of, in some ways, taking advantage of the existing underfunded transit systems. I'm concerned that it will be given powers to fund without a backup of provincial money to make that funding happen.

I'm going to be voting against the motion, not because I think the intent is incorrect—in fact, I think the intent is quite good—but because if there is no money coming in, there's nothing to provide funds from.

0930

Mr. McNeely: We will not be supporting this motion. This would limit the scope of the GTTA and its ability to engage in a range of financial activities with respect to transportation systems. We expect that funding—like GO Transit, whose expertise I hope would be available for places like Ottawa, where rail is new—would come from sources other than the GTTA.

The Chair: Further comment? Hearing none, I'll put the question. All in favour? Opposed? The motion is lost.

Number 8 is a PC motion.

Mr. O'Toole: I move that clause 6(1)(c) of the bill be amended by striking out "promote and facilitate" at the beginning and substituting "coordinate."

Again, it's just putting more action and deliverables in the language of the bill. It seems that, even with what Mr. McNeely is saying, they're being evasive on any deadlines, whether it's timing, funding or functionality of this Greater Toronto Transportation Authority, which is designed to fail. I guess they're going to say, in the terms of politics, that they've kept a promise, and if you look at what they've actually delivered in that promise, there's nothing. That's the unfortunate dilemma here. We're actually trying to do important government work—or work with the government, that is—and it's turning out to be a failure.

Mr. McNeely: I think it would be irresponsible to throw this new authority into a deadline of one year to prepare that most important transportation plan, so I disagree with the PC member. This would limit the scope of the GTTA's ability to engage in a range of activities with respect to municipalities and would diminish the leadership model that we're striving for.

The Chair: Further comment? Hearing none, I'll put the question. All in favour? Opposed? The motion is lost. PC motion on page 9: Mr. O'Toole.

Mr. O'Toole: I move that subsection 6(2) of the bill be amended by striking out the portion before clause (a) and substituting the following:

"Requirements for transportation plan

"(2) The transportation plan required by clause (1)(a) must be substantially completed within one year after the establishment of the corporation under section 2 and must."

Again, we're saying in this "substantially completed within one year." We're trying to put some deliverables on this. What I'm afraid of is that this will get caught in the election of October 2007, and we're still in 2006. We're saying that they're going to say they're going to deliver everything after 2007. That's not going to happen because, in my view, hopefully the people of Ontario will see fit to make some serious changes.

Mr. McNeely: We're not supporting this amendment. The time frame for completion of the transportation plan is something that is more appropriately held with the GTTA business plan when it's developed and with the memorandum of understanding with the Ministry of Transportation. That's the proper place to look at that. We'll be voting against the amendment.

The Chair: Further comment? I'll put the question. All in favour? Opposed? The motion is lost.

PC motion on page 10: Mr. O'Toole.

Mr. O'Toole: I move that subsection 6(2) of the bill be amended by adding the following clause:

"(a.1) make use of intelligent transportation systems and other innovative technologies."

Again, we'd like to see more deliverables in this in a broader sense, but certainly in the section dealing with these transportation smart cards using all of the available technology. I've seen and been exposed to a number of

options in other jurisdictions. From everything I've seen here, there's no possibility of seeing that for years, and that's going to be the integration part of the whole transit system.

The Chair: Further comment?

Mr. McNeely: We'll be supporting this part. We believe that this is a good addition to the bill.

The Chair: Further comment?

Mr. O'Toole: A recorded vote on this one. I don't believe it.

Ayes

Marsales, McNeely, Mitchell, O'Toole, Ramal, Sandals, Tabuns.

The Chair: The motion is carried.

Page 11, a government motion.

Mr. McNeely: I move that clause 6(2)(b) of the bill be struck out and the following substituted:

"(b) comply with the minister's transportation plans, policies and strategies for the province as they apply to the regional transportation area."

The Chair: Comment, if any?

Mr. O'Toole: I question the parliamentary assistant on this one, because the current language is just "consistent," and you're saying they've got to comply. In fact, the minister's running it. He or she—whoever—sets the budget. You're trying to make the argument that they have this flexibility going forward to develop their plan, and all of a sudden you're saying they're going to have to comply as opposed to being consistent. You aren't consistent in your arguments.

The Chair: Further comment?

Mr. McNeely: Just that this is a similar change. The language is broadened so that the GTTA transportation plan must comply with the minister's transportation plans, policies and strategies. It's consistent with the change in objects.

Mr. Tabuns: I just want to confirm that adoption of this amendment would not then bring any conflict with the later potential to adopt my amendment on your page 14. There's no problem? I see a nod from counsel in the audience. I take that as a yes.

The Chair: Further comment? Hearing none, I'll put the question. All in favour? Opposed? Carried.

PC motion, page 12.

Mr. O'Toole: I move that clause 6(2)(d) of the bill be struck out.

The reason for this one here—obviously, you're going to vote against this one—is that it gives some degree of municipal autonomy, and it seems, even if you look at the last amendment by the government, they're required to comply with the minister's orders. Dalton is going to run all of Ontario, right down to the official plans. I believe that this section should respect the municipalities. They are elected to make decisions. I'm more concerned about mature cities, like the city of Toronto, quite frankly. They have a very mature transit system, the

TTC. They are having their problems these days, as we all know, but, by and large, it's the largest and most important part of transit, and now they're going to have to comply with the government's plan.

Mr. McNeely: I'd just like to say that the proposed growth plan would provide a consistent provincial framework for transportation planning to guide municipal decisions and the proposed GTTA's transportation plan and decisions. It provides language to ensure consistency between the GTTA and the municipal official plans. I think that's extremely important.

The Chair: Further comment? Hearing none, I'll put the question. All in favour? Opposed? The motion is lost.

Now we move to a separate package. It is a government motion.

Mr. McNeely: I move that subsection 6(2) of the bill be amended by adding the following clause:

"(f.1) work towards reducing transportation-related emissions of smog precursors and greenhouse gases in the regional transportation area."

We're adding that in light of the importance of reducing smog and greenhouse gases. We are proposing that the transportation plan assist in that objective and that it be explicit.

The Chair: Further comment?

Mr. Tabuns: I'm moving a similar, but I think stronger, amendment immediately following this one. I'm interested that the government has brought forward a motion to this effect, but I don't think it should just be a question of this authority working towards reducing greenhouse gas emissions through their planning. They should actually be reducing them, not just working towards it, not just giving it thought, but having it as a significant part of their operation.

0940

If I had not put forward my motion, I might have supported this, but I'm concerned here that it's been softened. I would say, given recent comments of this government and recent comments of this environment minister, which I've criticized—this government is saying that it's very much concerned about climate change, its impact on society as a whole and this province in particular—that this language is much too weak, that in fact we have to concretely state that we are going to act to reduce, not just work towards reducing, greenhouse gases. I will be opposing this motion and I will be supporting my amendment.

Mr. McNeely: Our government is very much pro-environment. We feel that this is a proper place to place this in the legislation, and it will do. We certainly support the intention of where you're coming from, but this is much better language to be included in this bill.

Mr. O'Toole: I want to be on the record as supporting the intent, but I'll be supporting Mr. Tabuns's motion because it does bring some substance to it, which reflects the lack of substance throughout this bill, unfortunately.

The Chair: Further comment? Hearing none, I'll put the question. All in favour? Opposed? The motion is carried.

Now we return to your original package. NDP motion on page 13: Mr. Tabuns.

Mr. Tabuns: I move that subsection 6(2) of the bill be amended by adding the following clause:

"(g.1) reduce transportation-related emissions of smog precursors and greenhouse gases in the regional transportation area."

The Chair: Comment?

Mr. Tabuns: I've made my comments. I think that this is a stronger amendment, a stronger statement of direction for the corporation, and should be embodied in this act.

Mr. McNeely: I agree with the intention. We proposed an amendment, the one that just passed; 6(2)(f) already works towards easing congestion, which is a major cause of greenhouse gases.

The Chair: Further comment? Hearing none, I'll put the question.

Mr. Tabuns: Recorded vote.

Ayes

O'Toole, Tabuns.

Nays

Marsales, McNeely, Mitchell, Sandals.

The Chair: The motion is lost.

Page 14: NDP motion.

Mr. Tabuns: I move that subsection 6(2) of the bill be amended by adding the following clause:

"(g.2) be consistent with policy statements issued under section 3 of the Planning Act, plans under the Greenbelt Act, 2005, the Oak Ridges Moraine Conservation Act, 2001 and the Niagara Escarpment Planning and Development Act and other prescribed plans."

The intent is to ensure that transportation planning occurs within the framework of environmentally protective legislation that's already on the books. I want it to be clear that what is carried out in the name of this act is not going to override other environmental protections.

The Chair: Further comment?

Mr. McNeely: We will not be supporting this. The minister will be prescribing by regulation which plans need to be complied with. That will be a much more comprehensive approach, to leave it to regulation.

Mr. Tabuns: I understand the argument being made by Mr. McNeely. Our difficulty is that we don't have any hand in writing the regulations. If the regulations come out and they're insufficient, we won't have any ability to correct them. This is an opportunity to have the legislation amended in public view and given a stamp of approval by the Legislature. I would urge people to in fact vote for this now so that we will not have concerns later that the regulations are not adequate to the task. Regulations can be written that expand on what's here, but what's set out here is a foundation.

The Chair: Further comment?

Mr. O'Toole: Without prolonging the discussion here, we just passed a planning bill in the Legislature which changed the compliance of lower-tier municipalities to "be consistent with" provincial policy statements from "have regard to." What Mr. Tabuns is asking is to make sure they're consistent with those. I don't see a reason why they can't support it. My own view is that municipalities need to have some flexibility and at the same time comply with the greatest intent for the all reasons the NDP is suggesting here. But I think they're adequately elected and accountable at those levels, whether it's Halton or Durham, and that for the most part they want to be consistent and would be. So I can't see why the Liberals can't support this NDP motion. I won't be supporting it, but—

The Chair: Thank you. Further comment?

Mr. McNeely: I just feel that the proper time for this—it has to be a much more comprehensive approach and will be when the regulations are being made up.

The Chair: Further comment? Hearing none, I'll put the question.

Mr. Tabuns: Recorded vote.

Ayes

Tabuns.

Nays

Marsales, McNeely, Mitchell, Sandals.

The Chair: The motion is lost.

Page 15, an NDP motion.

Mr. Tabuns: I move that subsection 6(2) of the bill be amended by adding the following clause:

"(g.3) promote the increased development and use of cycling corridors across the regional transportation area."

I think there's an opportunity with this corporation to take advantage of hydro rights-of-way and of rail rights-of-way, and looking for other opportunities in park systems to actually have a regional biking system. If you can bike in from Etobicoke to west Toronto, you can contribute to reductions in congestion and smog. I think this transportation authority should be looking at these opportunities.

Mr. McNeely: We certainly support the intention, and in 6(2)(a) of the legislation, "take into consideration all modes of transportation," cycling is mentioned. We feel that's sufficient.

The Chair: Other comment? Hearing none, I'll put the question.

Mr. Tabuns: Recorded vote.

Ayes

O'Toole, Tabuns.

Nays

Marsales, McNeely, Mitchell, Sandals.

The Chair: The motion is lost.

Mr. Tabuns: On a point of order, Mr. Chair: No contradiction to any business that has gone forward here, but I have one amendment that will come later in the bill, and I don't know quite how to circulate it at this point. Could I give it to the Chair?

The Chair: The clerk will take that and make copies for the committee.

Mr. Tabuns: Thank you, Mr. Chair.

The Chair: PC motion, page 16.

Mr. O'Toole: I move that section 6 of the bill be amended by adding the following subsection:

"Recommendations re land use planning

"(2.1) The transportation plan required by clause (1)(a) may include recommendations of transit corridors and nodes, along with other initiatives related to transportation priorities in land use planning."

The point has pretty much been covered in some of the debate we've had. It's just more innovation in the transportation plan and more integration in that plan as well with respect to nodes. I don't see much of that, unless the parliamentary assistant can respond. I ask for your support.

0950

The Chair: Further comment?

Mr. McNeely: Just that the proposed recommendation would potentially bring the GTTA into conflict with the proposed growth plan. It may cause confusion to have both the growth plan and the GTTA transportation plan refer to nodes, densities and other related land use planning initiatives. We will not be supporting the motion.

Mr. Tabuns: I would say that it's quite correct that the transportation authority can't override the planning of the member municipalities. But if, in the course of doing transportation planning, their analysis brings forth a perspective on the need for particular transit corridors or development of nodes to actually make transportation function properly, I think it would be useful for all member municipalities to have access to this analysis.

One of the concerns I've had about this bill from the beginning is that unless there's a foundation of good urban planning for it to build on, this corporation is going to face profound problems in actually carrying out the purposes it was intended to carry out. It's a question I raised when I was interviewing a person in this building who was going to be appointed to the GO Transit board.

We have to look at urban planning. I think Mr. O'Toole's motion could be quite useful for all member municipalities, and I think the government should support it.

Mr. McNeely: We feel that this is going to be a co-operative authority. They will be discussing with lower-tier and upper-tier, and to put that implicit in the legislation could have the potential for causing conflict, so we will be voting against that amendment.

The Chair: Further comment? Hearing none, I'll call the question.

Mr. O'Toole: Recorded vote, please.

Ayes

O'Toole, Tabuns.

Nays

Marsales, McNeely, Mitchell, Sandals.

The Chair: The motion is lost.

Page 17, an NDP motion.

Mr. Tabuns: I move that section 6 of the bill be amended by adding the following subsection:

"Quantitative assessment of reduction in private vehicle use

"(3.1) The transportation plan required by clause (1)(a) shall include a quantitative assessment of the reduction in private vehicle and commercial vehicle use in the regional transportation area as a result of the plan."

I'm recommending that this be in legislation so that those who put forward this plan and, in the end, those who have to approve it and implement it, know whether or not this plan is actually going to deliver the kinds of goods that have been advertised in relation to this legislation.

I have grave concerns that this entity, as currently structured and funded, will have no impact: will not reduce gridlock, will not reduce total volume of vehicles travelling through the region. I would say that for anyone to properly evaluate the work of the planners, there has to be an assessment of what they expect to achieve from the plans they put forward. How are we going to evaluate these plans without knowing the expected outcome? I think this is a reasonable requirement and one that should be in law so that when we talk about these plans, we're talking about something concrete, not something vague and half-formed.

The Chair: Further comment?

Mr. McNeely: We will not be supporting this. We think this type of reporting is more appropriately included in the business plan, which will be developed by the GTTA once it gets set up.

The Chair: Further comment? Hearing none, I'll put the question.

Mr. Tabuns: Recorded vote, Mr. Chair.

Ayes

O'Toole, Tabuns.

Nays

Marsales, McNeely, Mitchell, Sandals.

The Chair: The motion is lost.

Page 18, a government motion.

Mr. McNeely: I move that subsection 6(4) of the bill be struck out and the following substituted:

"Review of transportation plan

"(4) The corporation shall, at least every 10 years after subsection (1) comes into force, complete a review of the transportation plan required by clause (1)(a) and make any necessary changes to the transportation plan to ensure that it complies with the prescribed provincial plans and policies in accordance with clause (2)(c)."

The time frame that the GTTA must review this transportation plan at least every 10 years instead of "from time to time," I think, is good. The transportation plan will be updated at least every 10 years to reflect the changing transportation landscape.

The Chair: Comment? Hearing none, all in favour? Opposed? Carried.

Page 19, a PC motion.

Mr. O'Toole: I move that section 6 of the bill be amended by adding the following subsections:

"Conflict with official plans

"(4.1) Despite any other act, if there is a conflict between the transportation plan required by clause (1)(a) and an official plan, the transportation plan prevails and the corporation may direct any municipality to amend its official plan to conform to the transportation plan."

I move this particular strengthening to ensure that this authority has the authority to effect the plans. Mr. Tabuns is trying, in many of his arguments, to say the same thing. It has to have the authority to actually make the strength of public transit, if that's what we're talking about, or roadways, if that's what we're talking about. In many cases, we're locked in to the wording of this bill itself. It sounds like we're only talking about public transit, and transportation is broader than just public transit. I know you mention the word "multimodal," but that's the purpose of this clause.

The Chair: Further comment?

Mr. McNeely: We won't be supporting this amendment. The proposed growth plan would provide a consistent provincial framework for transportation planning to guide municipal decisions and the proposed GTTA's transportation plan and decisions. The GTTA transportation plan must comply with the growth plan, as would municipal official plans. This is a co-operative leadership role that the GTTA will be carrying out, and we just don't want an amendment to have possible conflicts.

Mr. O'Toole: Just further to the parliamentary assistant, if your current language under the Planning Act is to "be consistent with" provincial policies, and that's your current position as government, and you're trying to make sure that transportation, whether it's the diminished use of cars, the increased use of public transit, preferred bus lanes or cycling lanes—the province is going to have to take the lead. As such, this particular kind of policy direction is fairly consistent with where you want to go. I don't understand why you can't put some strength into what you're doing. In fact, I'm surprised that you can't support it.

Mr. McNeely: Just to comment back, the transportation plan must comply with the growth plan, as would municipal official plans. This will all be complementary. To give the transportation plan the added strength is not necessary under the present legislation.

Mr. Tabuns: Just briefly, I understand the direction Mr. O'Toole wants to go in here. I think that if we want to get at the whole foundation of a transportation plan, which is the plan for urban development itself, that has to come from the government in other forms rather than here. I'm worried that it isn't coming forward in the way it needs to, so I understand why Mr. O'Toole is making this amendment. But because I believe it should be approached in another way, I won't be supporting this amendment.

The Chair: Further comment? Hearing none, I'll put the question. All in favour? Opposed? The motion is lost.

That completes section 6. Shall section 6, as amended, carry? All in favour? Opposed? Carried.

We'll move to section 7, page 20, an NDP motion.

1000

Mr. Tabuns: I move that subsection 7(1) of the bill be struck out and the following substituted:

"Duties of Corporation re: unified fare system

"(1) In carrying out its objects as described in clause 5(1)(a) with respect to the integration of transit systems, the corporation, primarily through its farecard division, shall plan, design, develop, acquire by purchase, lease, assignment or otherwise, construct, maintain, operate, dispose of, lease, license or sublicense all or any part of a unified fare system applicable to the GO Transit system, local transit systems in the regional transportation area to the extent that the local transit system or municipality has agreed to participate in all or any part of the unified fare system and local transit systems of municipalities outside the regional transportation area that agree to participate."

It is not clear to me from this legislation that the unified fare system or card system is mandatory or obligatory, and I want to make it very clear in the legislation that participation in the farecard system is done with the consent of the municipalities that will be covered by this act. I think that if you try to impose a card system without their participation, you risk the potential for non-compliance or lack of co-operation but you may also potentially impose a cost on their operations, which they already have difficulty meeting today. So I'd urge the government and the Conservative representative to vote in favour of clarity that participation in the fare system is something that is voluntary on the part of the member municipalities.

Mr. McNeely: It's our position that the bill does not require the municipalities to participate in the farecard, and therefore this amendment is not necessary.

Mr. O'Toole: I want to be on the record as saying I'm supportive of a stronger bill here. I think one of the main ingredients is going to be the integration of the systems, and the best way to do that is the technology route. I think that there will be a solution issue. You can hear it's already out there today. The TTC is not going to adopt

something that Mississauga adopts. It's going to have to be government-mandated through consultation, of course, with the best possible available technology. I think I would be more in support of the government's position here, but it's not strong enough; in fact, it's not deliverable. It's once again an example of, "When is this going to happen?" It's going to take 10 years. The whole thing is too wishy-washy.

I've met with technology people. There's SIM card technology available today, right now actually, and they can't even get to see MTO. MTO is doing consulting on this now, by the way, and I think it should be sooner rather than later. That will integrate the transits faster than anything. If they aren't provincially funded—anyway, I won't spend any more time on it because I guess I'll support the government side on this thing.

The Chair: Further comment?

Mr. McNeely: I just feel that would be one of the objectives of the GTTA, and that will be one of the areas we're going in, and we believe that the wording in the bill as it is now is the right wording in order to have the co-operation to move ahead on that issue.

The Chair: Further comment? A recorded vote has been requested.

Mr. O'Toole: We're voting on the amendment here, right?

The Chair: Yes, page 20.

Ayes

Tabuns.

Nays

Marsales, McNeely, Mitchell, O'Toole, Sandals.

The Chair: The motion is lost.
Page 21, a government motion.

Mr. McNeely: This is the translation thing. I move that the French version of subsection 7(1) of the bill be amended by striking out, "division Carte de débit" and substituting, "Division de la carte de transport en commun."

The Chair: Comment, if any? Hearing none, all in favour? Carried.

That completes section 7. Shall section 7, as amended, carry? All in favour? Opposed? Carried.

Now we move to section 8, page 22, a government motion.

Mr. McNeely: I move that the French version of subsection 8(1) of the bill be amended by striking out "division Approvisionnement en transport" in the portion before clause (a) and substituting "Division de l'approvisionnement en transport."

The Chair: Comment, if any? Hearing none, all in favour? Carried.

Page 23, NDP motion.

Mr. Tabuns: I move that clause 8(1)(a) of the bill be struck out and the following substituted:

"(a) coordinate, negotiate and manage the planning, design, development and acquisition, by purchase, lease or otherwise, of local transit system vehicles, equipment, technologies and facilities and related supplies and services on behalf of any municipality in Ontario, subject to the agreement of such municipality or its local transit system."

It's essentially the same argument I made earlier that there's clarity here that you can't impose on the member municipalities. These particular services are subject to their agreement.

The Chair: Further comment?

Mr. McNeely: We will not be supporting this amendment. The bill does not require municipalities to participate in procurement, and therefore this amendment is not necessary.

The Chair: Comment? Hearing none—

Mr. Tabuns: Recorded vote.

The Chair: A recorded vote is requested.

Ayes

Tabuns.

Nays

Marsales, McNeely, Mitchell, Sandals.

The Chair: The motion is lost.

Page 24, government motion.

Mr. McNeely: I move that section 8 of the bill be amended by adding the following subsection:

"Same

"(1.1) The corporation may perform its duty under clause (1)(a) by procuring local transit vehicles, equipment, technologies and facilities and related supplies and services on behalf of a municipality or by facilitating the procurement of such vehicles, equipment, technologies and facilities and related supplies and services by a municipality."

The Chair: Comment?

Mr. McNeely: This clarifies the GTTA role, that it can assist in vehicle procurement. This provides flexibility for GTTA to procure or assist in the procurement of transit vehicles.

The Chair: Further comment? Hearing none, all in favour? Opposed? Carried.

That completes section 8. Shall section 8, as amended, carry? All in favour? Opposed? Carried.

Now we move to section 9 and a PC motion on pages 25 and 26.

Mr. O'Toole: This is under the board of directors. I move that subsection 9(2) of the bill be struck out and the following substituted:

"Composition

"(2) The board shall be composed of,

"(a) eight persons appointed by the Lieutenant Governor in Council on the recommendation of the minister; and

"(b) the following persons appointed by the Lieutenant Governor in Council on the recommendation of the minister:

"(i) four persons recommended by the council of the city of Toronto,

"(ii) one person recommended by the council of the city of Hamilton,

"(iii) one person recommended by the council of the regional municipality of Durham,

"(iv) one person recommended by the council of the regional municipality of Halton,

"(v) one person recommended by the council of the regional municipality of Peel, and

"(vi) one person recommended by the council of the regional municipality of York.

"Private sector representatives

"(2.1) The persons appointed under clause (2)(a) shall be chosen to represent persons in the private sector with interests in the regional transportation area, including persons representing business, financial institutions and non-government organizations."

This amendment speaks to the input we received from the Toronto Board of Trade, as well as the Ontario Chamber of Commerce, and the need to have a less politicized structure in this mandate. It does give the government the control to appoint through order in council other than even elected persons, but they should be experts in the area of financing, capital financing, acquisition, contract language, transportation logistics, and kind of academic things. I think this reflects the input we heard in the hearings. At the same time, the government has really strengthened its role, because it can bring to bear in a function the experts who can make this happen. I'd ask for your support. It is what we heard.

1010

The reason I'm saying this, and it's probably relative, is that even the quarrel at the TTC right now is political interference. Whether it's Howard Moscoe or David Miller, who cares? The point is, that's what happened with the Greater Toronto Services Board. I'm just saying that if you want success in this thing, take the bull by the horns and get at it, get the job done. That's what's needed. You can still work co-operatively, but at the end of the day you have to have some leverage here, and that's what this provides.

The Chair: Comments?

Mr. McNeely: We will not be supporting this motion. There is already fair representation in the bill. The structure encourages a regional approach and does not focus on local transit issues. The board, in the bill, is small and focused, and there is the ability to use private sector representatives. We heard from various presenters that we should. That will be in the minds of people who are making appointments. The board structure in the bill was determined after consultation with the municipalities, so we will not be supporting this amendment.

The Chair: Further comment? Hearing none—

Mr. O'Toole: A recorded vote.

Ayes

O'Toole.

Nays

Marsales, McNeely, Mitchell, Sandals, Tabuns.

The Chair: The motion is lost.

I'm advised there is a replacement motion for the one on page 27 dealing with section 9. It can be found in a separate package.

Mr. McNeely: I move that section 9 of the bill be amended by adding the following subsection:

"Vacancy—no council recommendation

"(7.1) If a council referred to in clause (2)(b) fails to recommend the number of persons it is required to recommend under that clause within 90 days after the day this section comes into force or within 90 days after a director previously recommended by that council ceases to be a director for any reason, the Lieutenant Governor in Council may appoint any person to serve as director in the place of a person to be recommended by that council until the council makes the required recommendation and a person is appointed under clause (2)(b) for the remainder of the term."

The Chair: I think you might be reading the original one. I'm told there is a replacement motion.

Mr. McNeely: Excuse me, Mr. Chair. Let me just make sure. Okay, I have the proper motion. I'll read it.

I move that section 9 of the bill be amended by adding the following subsection:

"Vacancy—no council recommendation

"(7.1) If a council referred to in clause (2)(b) fails to recommend the number of persons it is required to recommend under that clause within 90 days after the day this section comes into force or within 90 days after a director previously recommended by that council ceases to be a director for any reason, the Lieutenant Governor in Council, on the recommendation of the minister, may appoint any person to serve as director in the place of a person to be recommended by that council until the council makes the required recommendation and a person is appointed under clause (2)(b) for the remainder of the term."

The Chair: Is there any comment? Hearing none, all in favour? Opposed? Carried.

That completes the motions I have before me for section 9. Shall section 9, as amended, carry? Carried.

Any comment on section 10? There are no amendments before me. Shall section 10 carry? All in favour? Carried.

Section 11: We'll move to the NDP motion first. I think that would be advisable.

Mr. Tabuns: I move that subsection 11(3) of the bill be struck out and the following substituted:

"Open to the public

"(3) Section 239 of the Municipal Act, 2001, applies with necessary modifications to meetings of the board."

I'm concerned that the legislation, as written, largely allows this board to operate without enough public scrutiny. The amendment proposed by the Conservatives, which is not on the floor at the moment, lets the board determine when it will be open to the public and when it won't be open to the public. I would say that given the importance of the work this board will have at hand, we should use the existing legislative framework that's already out there, the Municipal Act, 2001, which in fact has a fairly rigorous, clear description of when and when not a board or a municipal committee or a municipal council will be open for public scrutiny. I would say the cleanest way of dealing with this is by using the Municipal Act, as I've recommended here. I think it's highly problematic to proceed with the legislation as written. I think this board would be at risk of operating in a closed way and, frankly, would be at risk of losing credibility because it would be seen to be operating in a closed way. Thus, I would urge that existing legislative frameworks be used to govern the transparency of meetings held by this corporation.

Mr. McNeely: We feel the board should be given adequate ability to decide when their meetings are public. Key meetings, as described in the legislation, will be open to the public. Otherwise the board needs the ability to discuss confidential items such as contracts, sensitive negotiations and proprietary information. The GTTA is a crown agency, not a municipal body, so we will not be supporting this motion.

Mr. Tabuns: It may well be a crown agency, but it is going to be making decisions in this region, if it is given sufficient budget and powers, to have dramatic impact on the day-to-day lives of people throughout Toronto, throughout the greater Toronto area and Hamilton. I think the government opens this corporation up to tremendous criticism, to a potential for great loss of credibility, if it proceeds with the wording it has here. The Municipal Act wording is entirely reasonable and clear and would, I think, ensure that this board avoids unnecessary criticism.

Mr. McNeely: We feel there's a fair balance. We'll be voting against this motion.

The Chair: Further comment? Hearing none, all in favour?

Mr. Tabuns: Recorded vote.

Ayes

Tabuns.

Nays

Marsales, McNeely, Mitchell, Sandals.

The Chair: The motion is lost.

I would seek agreement from the committee to postpone the PC motion on page 28. Do we have agreement?

Mr. Tabuns: I would so move.

The Chair: Agreed? Agreed. We'll have to come back to that one.

Therefore, we shall not ask the question on section 11 at this time, and we'll move to section 12.

Shall section 12 carry? All in favour? Carried.

Section 13, government motion number 30 in your package.

1020

Mr. McNeely: I move that the English version of subsection 13(2) of the bill be amended by striking out "persons who use and are otherwise affected by transportation in the regional transportation area" and substituting "persons who use or are otherwise affected by transportation in the regional transportation area."

The Chair: Any comments? Hearing none, all in favour? Carried.

Shall section 13, as amended, carry? Carried.

We have a replacement for the one on page 31 in a separate package: government motion replacement to subsection 14(3) of the bill. Mr. McNeely.

Mr. McNeely: I move that section 14 of the bill be amended by adding the following subsection:

"First appointment

"(3) Despite subsection (1), the first chief executive officer of the corporation may be appointed by the Lieutenant Governor in Council, on the recommendation of the minister, for a term not exceeding three years."

The Chair: Comments, if any?

Mr. Tabuns: I'm not comfortable with this amendment. I believe that it's not necessary. Frankly, I'm concerned that there's always the possibility of a patronage appointment. So I would urge this committee to vote against the amendment.

Mr. McNeely: It allows for the Lieutenant Governor in Council to appoint the initial CEO of the GTTA, upon the recommendation of the minister, for a period of up to three years. We feel that this is important. It would allow only the initial CEO of the GTTA to be appointed by the province and ensure that the CEO position, which is critical to the GTTA start-up period, is in place in a timely manner. For those reasons, we will be supporting this.

The Chair: Comment? I'll call the question. All in favour? Opposed? Carried.

Shall section 14, as amended, carry? Carried.

We'll go back to a PC motion on page 28 that deals with section 11.

Mr. O'Toole: I apologize first to the committee. I did have a call, and I will have one other call here this morning.

I move that subsection 11(3) of the bill be struck out and the following substituted:

"Open to the public

"(3) All meetings of the board shall be open to the public except in those instances when the board, by a majority vote, determines that a meeting or a part of a meeting shall be closed to the public."

The openness and transparency that are required today—we see this happening in the TTC as we speak—

are important. The public is paying for it, so they have the right to know about it.

The Chair: Comment?

Mr. Tabuns: Just a question for Mr. O'Toole. I'm concerned about openness here as well. The government has actually specified in its bill situations in which it must be open. You don't do that in your amendment, and I'm concerned that your amendment may not require this board to be as open as it should be. I'm not happy with the government's position, but yours may be weaker than theirs. Can you tell us why your position is a stronger one?

Mr. O'Toole: I'm saying that they should be listing when it should not be open, like for property and personnel matters, which is the normal in camera meeting bylaw. This thing here specifically talks about those things that should be talked about in public, and it should be the other way around.

Mr. McNeely: I went through these before with the amendment by the NDP, but the board should be given the adequate ability to decide whether meetings are public, and the key meetings described in the legislation will be open to the public. Otherwise, the board needs the ability to discuss confidential items such as contracts, sensitive negotiations and proprietary information. So for that reason, we will not be supporting this amendment.

The Chair: Comments?

Mr. O'Toole: Recorded vote.

The Chair: A recorded vote is requested.

Ayes

O'Toole.

Nays

Marsales, McNeely, Mitchell, Sandals, Tabuns.

The Chair: The motion is lost.

Shall section 11 carry? All in favour? Opposed? Carried.

We move to section 15. I have no amendments before me. Shall section 15 carry? All in favour? Opposed? Carried.

Shall section 16 carry? All in favour? Opposed? Carried.

Shall section 17 carry? All in favour? Opposed? Carried.

Shall section 18 carry? All in favour? Opposed? Carried.

Shall section 19 carry? All in favour? Opposed? Carried.

Shall section 20 carry? All in favour? Opposed? Carried.

Now, section 21, we have a government motion on page 32 of your package.

Mr. McNeely: I move that subsection 21(7) of the bill be amended by striking out "Sections 434 and 442 of the

Municipal Act, 2001" at the beginning and substituting "Sections 434, 437 and 442 of the Municipal Act, 2001."

The Chair: Comment?

Mr. McNeely: This is revised to include section 437 of the Municipal Act to ensure its consistency with the current GO Transit Act allowing GO Transit to recover fine revenues collected by municipalities.

The Chair: Comment? Hearing none, all in favour? Opposed? Carried.

Shall section 21, as amended, carry? All in favour? Carried.

Shall section 22 carry? All in favour? Carried.

Section 23: government motion on page 33.

Mr. McNeely: I move that section 23 of the bill be struck out and the following substituted:

"Assets and revenue not part of consolidated revenue fund

"23. Despite part I of the Financial Administration Act, the assets and revenues of the corporation or of any of the corporation's subsidiary corporations do not form part of the consolidated revenue fund."

The Chair: Any comment?

Mr. McNeely: It clarifies the language with reference to part I of the Financial Administration Act, that the assets and revenues of the GTTA or its subsidiaries do not form part of the consolidated revenue fund. The technical change just gives greater clarity to this intent.

Mr. O'Toole: Just a quick question. In this theory here, where would the money show, for instance, in this current subway expansion in the last budget? Where would that show if it's been committed and is an expenditure but the money hasn't actually flowed? Where would I see that money? In the financial statement of this Greater Toronto Transit Authority, which isn't—I don't want it to be part of the consolidated revenue fund, but maybe in the overall public accounts. Where would those billion-plus dollars show?

1030

Mr. McNeely: Can we have that answer from legal?

Mr. Flowers: This is more of an accounting question, but it certainly will not be shown on the books of the GTTA.

Mr. O'Toole: It won't show up on the GTTA?

Mr. Flowers: No. It has nothing to do with the GTTA.

Mr. O'Toole: If they happen to take over the York subway expansion, and money has been allocated to that, who has the money?

Mr. Flowers: My recollection of the announcement is that the money was—

Mr. O'Toole: Set aside in a trust.

Mr. Flowers:—set aside into a trust.

Mr. O'Toole: So it would show on the provincial books.

Mr. Flowers: Correct.

Mr. O'Toole: So it's not actually spent. Why didn't they use it to pay off the debt?

Mr. Flowers: I'm not in a position to answer that.

Mr. O'Toole: Or the deficit? It's just phony. Anyway, thank you very much. I appreciate that. This is another treacherous accounting manoeuvre by the Liberals.

The Chair: Thank you. Comment? Hearing none, I'll put the question. All in favour? Carried.

Shall section 23, as amended, carry? Carried.

Shall section 24 carry? All in favour? Carried.

Shall section 25 carry? All in favour? Carried.

Section 26, we have an NDP motion on page 34.

Mr. Tabuns: I move that section 26 of the bill be amended by adding the following subsection:

"Reports

"(4) Any reports or findings arising from an audit conducted in accordance with this section shall be provided to the corporation, the minister and the heads of the councils of the municipalities listed in clause 9(2)(b)."

My concern is that since municipalities will be carrying the bulk of this corporation, they should have access to this information.

The Chair: Comment?

Mr. McNeely: We will not be supporting this motion. The board, Auditor General and minister should be able to determine who gets the audit reports. It's not appropriate for audit reports to be automatically provided to the mayors.

The Chair: Comment? All in favour? Opposed? The motion is lost.

Shall section 26 carry? All in favour? Opposed? Carried.

We have notice that page 35 is not a motion. We also have notice that page 36 is not a motion.

Shall section 27 carry?

Shall section 26 carry? All in favour? Opposed?

Mr. O'Toole: Section 27.

The Chair: Oh, I'm sorry. Shall section 27 carry? All in favour? Opposed? Carried.

Mr. Tabuns: The government recommended that we vote against section 27. I've also recommended voting against section 27. I suspect the vote, if reheld, would go in a different direction.

The Chair: Yes. There are indications in your package that might seem otherwise, so I'll call the question on section 27 again.

Shall section 27 carry? All in favour? Opposed? The motion is lost.

Now we move to section 28, an NDP motion on page 37.

Mr. Tabuns: I move that section 28 of the bill be amended by adding the following subsection:

"Restrictions

"(3) The following sections of the Municipal Act, 2001, apply, with necessary modifications, to the borrowing, financing, short-term investment of funds and financial risk management activities of the corporation and its subsidiary corporations:

"1. Sections 408 to 416, with respect to debentures.

"2. Section 418, with respect to investing.

"3. Section 421, with respect to loans of security."

I'm just suggesting that controls on investments related to the GTTA should be the same as those placed on municipalities under the Municipal Act.

The Chair: Comment?

Mr. McNeely: I'm having difficulty with this one. Where does it appear in our papers?

The Chair: It's page 37. It's an NDP motion, subsection 28(3) of the bill.

Mr. McNeely: We will not be supporting this motion. The GTTA will not be a municipal corporation, therefore a municipal financing framework is not appropriate. Financial rules are to be determined by the Minister of Finance, the Ontario Financing Authority and other provincial financial procedures. So we'll be voting against this amendment.

The Chair: Comment, Mr. Tabuns?

Mr. Tabuns: I think my comments stand.

The Chair: I'll call the question. All in favour? Opposed? The motion is lost.

Shall section 28 carry? All in favour? Opposed? Carried.

Shall section 29 carry? All in favour? Opposed? Carried.

Shall section 30 carry? All in favour?

Mr. O'Toole: I've got an amendment. You're trying to get ahead of me. You're trying to trick me.

The Chair: There's another section. There is a new section 30.1. I'm advised that we would vote on this particular section 30. Your amendment would come under new section 30.1.

Mr. O'Toole: Oh, 30.1. Okay, very good.

The Chair: Shall section 30 carry? All in favour? Opposed? Carried.

Now we move to new section 30.1, PC motion, page 38.

Mr. O'Toole: Thank you, Chair, for that clarification.

I move that the bill be amended by adding the following section:

"Financially self-supporting

"30.1 The corporation shall be financially self-supporting and the means by which it shall be able to raise revenues shall be determined through consultation with the minister, the municipalities in the regional transportation area and representatives of the private sector in the regional transportation area."

It's just more or less strengthening the financing and self-supporting nature of this new organization.

The Chair: Comment?

Mr. Tabuns: One thing I have appreciated from Mr. O'Toole is that there has been a coherent and clear picture of where he wants to go with this legislation. In fact, I think it's useful to have the visions clearly put forward on the table.

I disagree with this approach. I think to have a properly functioning transit system, you need to have revenue from senior levels of government. When you look at the transit systems in cities like New York, London, Paris, Amsterdam, Los Angeles, you see substantial infusions of resources, funds from senior levels of government,

because that's what it takes for those systems to run properly. On the other hand, that's my criticism of the government's bill. I don't think there's provision for those funds, and ultimately it will mean this body will not have the impact it's promoted to have.

I would say, frankly, that there are big problems with this amendment before us. I can't support it, because I don't think that all the operations of this authority should be raised by the authority through a variety of smaller tax means. I think there should be infusion from the revenues of the province as a whole, and thus I disagree with its thrust.

Mr. McNeely: I think the appropriate financial powers have been identified in the bill, and future revenue and funding mechanisms will be identified through regulation. If you look at GO Transit, it's not fully self-sufficient now, so GO capital must be financed by the province and the municipality. So we'll be voting against this motion.

Mr. Tabuns: I'm concerned—again, I'm still not supporting your amendment, Mr. O'Toole. I'm sorry.

Mr. O'Toole: I was actually disappointed, Peter. I support a couple of yours.

Mr. Tabuns: I know you're heartbroken, but you must soldier on.

Mr. O'Toole: It's a lonely battle.

Mr. Tabuns: I'm concerned with Mr. McNeely's comments that appropriation will be made in the regulations. I find that problematic. When I look at the GO Transit Act, there is explicit provision for funding from consolidated revenue. That gives me and others some comfort that the government will be required to contribute. If the government is writing the regulations, it can write them to its own particular needs at any particular moment, and there won't be protection for this corporation in the way that I think it needs to be protected. I won't be supporting this motion, but I want to make it clear that I don't think the government's approach is the correct one either.

Mr. McNeely: There are already significant funds that have been advanced toward public transit in Toronto that are available. I'm sure the purpose is to make sure that the GTA proceeds well and is financed properly, and that will evolve.

The Chair: Comment? I'll call the question.

Mr. O'Toole: Recorded vote.

Ayes

O'Toole.

Nays

Marsales, McNeely, Mitchell, Tabuns.

The Chair: The motion is lost.

Mr. O'Toole: On a point of order, Mr. Chair: I have to step out for a few minutes. I wonder if unanimous consent for Mr. Ouellette to be subbed in—we don't have

any agenda; you'll be winning all the votes. He'd read the motions; it's necessary, I gather.

Interjection.

Mr. O'Toole: You could read them and move them, Mr. Levac, if you wish.

Interjections.

Mr. O'Toole: Thank you for your consideration. Mr. Ouellette, you're now on the payroll.

The Chair: I'm advised by the clerk that we cannot do this by unanimous consent. We don't have a sub slip to know who—

Mr. Dave Levac (Brant): Could we be apprised by what process we could have that completed? Could we be apprised of how we could have that happen?

The Clerk of the Committee (Mr. Douglas Arnott): The Chair and clerk would first have to receive a substitution notice, and then that request could be made.

Mr. Levac: Can we get that written up, guys?

Interjections.

The Chair: Very good. We'll look for that. In the meantime, we'll proceed.

Mr. Levac: I'm sorry, Mr. Chairman. I noticed my vote wasn't counted. Was that because I wasn't fast enough on the draw? Have you got the slips?

The Chair: Your substitution slip is for 1045 and the vote was taken prior.

Mr. Levac: Thank you for that clarification. I'm sure you know how I feel then.

The Chair: Substitution slips are deemed to be rather important here.

Mr. Levac: Thank you very much. I'm just too much ahead of my time, that's all. I'm just too quick on the draw.

The Chair: I recognize Mr. O'Toole.

Mr. O'Toole: There has been a substitution slip filed with the clerk. It reads that Mr. Ouellette would substitute for Mr. Arnott, who is an outstanding member of this committee. I would seek unanimous consent for this to happen.

The Chair: Just to clarify, I assume it's for the duration of the day?

Mr. O'Toole: Yes.

The Chair: Do we understand, committee, what the request is, that Mr. O'Toole would be substituted for Mr. Arnott?

Mr. O'Toole: No, no.

The Chair: Mr. Ouellette would be substituted for Mr. Arnott for the remainder of the day.

Mr. Levac: As long as it's understood that all of the members of this committee are outstanding, I accept.

Mr. Jerry J. Ouellette (Oshawa): Absolutely.

Mr. O'Toole: I agree, totally.

The Chair: Agreed? Agreed.

Mr. Ouellette: Thank you.

Mr. O'Toole: Thank you for your indulgence. I'll probably vote a couple of your motions now.

The Chair: Now, back to our various sections of the bill.

Shall section 31 carry? All in favour? Carried.

We have a new NDP motion—it's in a separate package—in regard to section 31.1. Mr. Tabuns.

Mr. Tabuns: I move that the bill be amended by adding the following section:

"Money for the purposes of this act

"31.1 In addition to any other sources of revenue for the corporation, the money required for the purposes of implementing, monitoring and updating the transportation plan required by clause 6 (1) (a) shall be paid from the consolidated revenue fund."

As I've said, I don't believe that this corporation can do what it needs to do without clarity of financial support by the provincial government as a whole. I note that the GO Transit Act that this is overtaking does have such a provision within it. I note that the GO Transit operation now has somewhere in the range of 40% to 50% of its revenue from the government of Ontario, and I think that it is problematic to expect that this corporation can go forward and do what it needs to do without assurances in the legislation, not in the regulations, that funds will be provided.

The Chair: I advise on this motion that it is out of order under the standing orders.

Mr. Tabuns: Okay.

The Chair: Shall section 32 carry? All in favour? Opposed? Carried.

Now we move to section 33.

Mr. Tabuns: I move that subsection 33(3) of the bill be struck out and the following substituted:

"Submission to minister and participants

"(3) On or before January 1 in each year, or another date specified by the minister, the board shall submit a copy of the business plan to the minister and the participants for approval."

Again, if in fact the province of Ontario will not be providing the funding under statute, as I believe it needs to provide, the bulk of the burden to make this corporation run forward may well be loaded on to the shoulders of the member municipalities, and I believe those municipalities should, given the burden that they may well inherit, have a copy of that business plan so that they can consider it and act politically as they see necessary.

1050

The Chair: Comment?

Mr. McNeely: We will not be supporting this amendment. The corporation is accountable to the minister, not to the municipalities, and municipal approval of business plans would unnecessarily bog down the process. So we will not be supporting this.

Mr. Tabuns: Recorded vote.

Ayes

Ouellette, Tabuns.

Nays

Levac, Marsales, McNeely, Mitchell.

The Chair: The motion is lost.

Shall section 33 carry? All in favour? Opposed? Carried.

I have a question for Mr. Tabuns. There was a motion to section 31.1.2. You had one that was ruled out of order. Do you intend to move this motion?

Mr. Tabuns: Yes, Mr. Chair. It was an error on my part.

The Chair: Would you like to move the motion?

Mr. Tabuns: I move that the bill be amended by adding the following section:

“Revenue distribution:

“31.1.2 The corporation will allocate new funding to subsidiary corporations based on,

“(a) ridership; and

“(b) population density.”

My concern—

Mr. Levac: On a point of order, Mr. Chair: Not to interrupt on purpose, but 31 has been passed.

The Chair: This motion and some others that are not within our package have come in to us, and I'm advised that I should have asked Mr. Tabuns if he intended to move this or not, since his other motion was out of order. We have three packages we're attempting to cipher through here.

Mr. Levac: Right. The only question I have, not to disrespect what the motion is, but in terms of our passing section 31, we have approved 31 even before you had approved—which I don't mind coming back to, but if we've already passed the motion, can you put another section in a motion that has already been passed? That's the question I'm asking.

The Chair: I'll ask the clerk to advise.

The Clerk of the Committee: Mr. Tabuns's proposal would not be an amendment to section 31, which was passed. Any proposal that has .1 or .2 after the section number indicates a proposal for a new section to be added to the bill between the existing sections.

Mr. Levac: Thanks for the clarification, Clerk.

The Chair: Perhaps what I'd ask you to do is just start from the beginning of your motion again, if you don't mind. It's rather short, and we'll get clarity that way.

Mr. Tabuns: I move that the bill be amended by adding the following section:

“Revenue distribution:

“31.1.2 The corporation will allocate new funding to subsidiary corporations based on,

“(a) ridership; and

“(b) population density.”

If in fact we are going to be providing support to entities that will be assisting in transportation throughout the region, I think that the allocation of funds should reflect the need in the region, as expressed in both ridership and population density.

Mr. Ouellette: Never more evident than the debate that's taking place in the Legislature right now on this very issue about high-growth areas and the allocation of funds, which works both ways for declining populations. Quite frankly, the ability to get the information out so

that funds can be allocated to those high-growth areas—particularly in the GTA—to ensure that they have the proper transit funding to move forward and to ensure that they can provide the services for the province would be a good idea, I believe.

Mr. McNeely: We will not be supporting this amendment. We feel that it gets involved in what the GTTA is going to be doing with their business plan etc. We will not be supporting that.

The Chair: Comment? Hearing none, I'll call the question. All in favour? Opposed? The motion is lost.

We have an NDP motion on page 40.

Mr. Tabuns: I move that subsection 34(1) of the bill be struck out and the following substituted:

“Annual report

“(1) On or before July 31 in each year, or another date specified by the minister, the corporation shall submit to the minister, to the Minister of Finance and to the participants a report on its business and affairs and the business and affairs of its subsidiary corporations for the previous fiscal year, signed by the chair of the corporation's board of directors.”

As I have argued, if in fact the government of the province of Ontario is not in statute funding this corporation, this authority, the burden will fall on the member municipalities, and the member municipalities should therefore be given greater say in the operation of this authority. This amendment is meant to move that forward.

Mr. McNeely: The corporation is accountable to the minister, not the municipalities. The municipalities will have access to the annual report when it's tabled in the assembly. We'll be voting against it.

The Chair: Comment? Hearing none, all in favour? Opposed? The motion is lost.

Shall section 34 carry? All in favour? Opposed? Carried.

Government motion on page 41.

Mr. McNeely: I move that the bill be amended by adding the following section:

“Corporation, subsidiary may declare it is not acting as a crown agency

“34.1(1) The corporation or any of its subsidiary corporations may, with the approval of the minister, declare in writing in any contract, security or instrument that it is not acting as a crown agency for the purpose of that contract, security or instrument.

“Same

“(2) Despite section 3 and the Crown Agency Act, where the corporation or any of its subsidiary corporations makes a declaration under subsection (1) in a contract, security or instrument, the corporation or subsidiary corporation is deemed not to be acting as a crown agency for the purposes of that contract, security or instrument and the crown is not liable for any liabilities or obligations incurred by the corporation or the subsidiary corporation under that contract, security or instrument.”

The comments on that are, as the section states, that the GTTA can only declare it is not acting as a crown corporation with the approval of the minister. The underlying section proposed by MOL ensures GTTA employees would receive the same benefits as are afforded to other crown employees; during bargaining process, present section 35 in the bill to be split into two sections for clarity. We'll be supporting this.

Mr. Tabuns: I guess I'd just like to ask, because I'm not familiar with this, why would a crown corporation want to declare that it's not one? What's the advantage again? You just talked about—

Mr. McNeely: I think I'd ask legal to—

Mr. Tabuns: If we could have some advice on that. I'm not familiar with this.

1100

Mr. Flowers: This provision is to provide the agency with the maximum amount of flexibility. It may be that, in dealing particularly, if it needs to, with entities outside the province, they would prefer not to deal with it as a crown agency for whatever reason. This would allow them to do that. It's difficult for me to give you a "for instance." This provision has appeared in other statutes; for example, in the capital investment planning act. So it's really to try to address the tools that the agency will have, so that if the circumstance arises, they'll be in a position to act. Again, this particular amendment suggests, or requires rather, that the agency do so only with the approval of the Minister of Transportation.

Mr. Ouellette: Does this remove any of the abilities to oversee, being that it's not a crown agency, by government authorities, whether the government in power or the minister? Does that remove any authority?

Mr. Flowers: I'm sorry. I didn't hear your question.

Mr. Ouellette: It's governed by legislation, so what I understand here is it's not to be deemed as acting as a crown agency. That removes no authority by governing bodies, being the government, to oversee?

Mr. Flowers: No. This is likely to occur only in the context of a contract, and it would only be for the purposes of that particular contract, so that all of the other responsibilities and obligations that the agency would have would remain in place, other than in the legal context of the particular agreement.

The Chair: Any other comment? Hearing none, I'll call the question. All in favour? Opposed? Carried.

Shall the motion carry? All in favour? Opposed? Carried.

Section 35, page 42: We begin with a government motion.

Mr. McNeely: I move that subsections 35(1) and (2) of the bill be struck out.

Mr. Ouellette: Can I ask the reasons why?

Mr. McNeely: They've been replaced with section 34(1).

The Chair: Other comment? Hearing none, all in favour? Carried.

Page 43, NDP motion.

Mr. Tabuns: I'll withdraw, Mr. Chair. Given the loss of some previous amendments, this now will not apply to anything, so I withdraw this motion.

The Chair: That's been withdrawn. Thank you.

Page 44, government motion.

Mr. McNeely: I move that subsection 35(3) of the bill be struck out and the following substituted:

"Proceedings against the crown

"(3) Where the corporation or any of its subsidiary corporations has made a declaration referred to in subsection 34.1(1), no proceeding shall be commenced against the crown in respect of the contract, security or instruments in which the declaration is made."

The Chair: Any comment?

Mr. McNeely: I wish to withdraw that motion.

The Chair: The one you just read?

Mr. McNeely: Yes.

The Chair: The amendment is withdrawn. Agreed? Agreed.

Now, government motion on page 45.

Mr. McNeely: I move that subsection 35(6) of the bill be amended by striking out "subsection (1)" and substituting "subsection 34.1(1)."

The Chair: Any comment? Hearing none, all in favour? Carried.

Shall section 35, as amended, carry? All in favour? Opposed? Carried.

Section 36: page 46, an NDP motion.

Mr. Tabuns: I move that section 36 of the bill be struck out and the following substituted:

"Protection from personal liability

"36. No action or other proceeding for damages shall be brought against a director, officer or employee of the corporation or of any of its subsidiary corporations or against the mayor, councillors, officers, directors, employees, agents, representatives, successors and assigns of any of the participants as a result of any act done in good faith in the performance or intended performance of any duty under this act, or in the exercise or intended exercise of any power under this act, or as a result of any neglect or default in the performance or exercise in good faith of such duty or power."

The argument being that, as I believe the municipalities will be drawn deeply into this authority should it actually become functional, the protections that have been proposed be extended to councils and their membership.

The Chair: Comment?

Mr. McNeely: It's our opinion that the GTTA officers, directors and employees are the only ones who need to be protected. It's not necessary or appropriate to protect municipal parties.

The Chair: Any other comment? Hearing none, all in favour? Opposed? The motion is lost.

We have a replacement motion for the one on page 46, a government motion.

Mr. Tabuns: I think you mean page 47.

The Chair: It's found elsewhere in your package, a government motion to section 36 of the bill.

Mr. McNeely: I move that section 36 of the bill be amended by adding the following subsection:

“Corporation not relieved of liability

“(2) Subsection (1) does not relieve the corporation or a subsidiary corporation of any liability to which it would otherwise be subject in respect of a cause of action arising from any act, neglect or default referred to in that subsection.”

The Chair: Any comment? Hearing none, all in favour? Opposed? Carried.

Shall section 36, as amended, carry? All in favour? Opposed? Carried.

Shall section 37 carry? Carried.

Shall section 38 carry? Carried.

Shall section 39 carry? Carried.

Shall section 40 carry? Carried.

Shall section 41 carry? Carried.

Now we come to section 42, page 48, an NDP motion.

Mr. Tabuns: I move that subsection 42(1) of the bill be amended by adding the following clause:

“(b.1) prescribing additional municipalities to be participants.”

Again, it's consistent with the arguments that I have made earlier on in the bill.

The Chair: Any other comment?

Mr. McNeely: This motion would add to the number of board members, which we are not supporting. This board structure has been determined in consultation with the municipalities. Any change to board structure would rightfully be done through a legislative change. So we will be voting against this motion.

Mr. O'Toole: Quite honestly, I would agree that we need to—though we did hear from some of the areas within Peel region and others; Brampton, I think it was. They were concerned about lower tier. Oakville and some of those communities do have transit systems, and they're looking for input, which was probably part of the amendment to the composition of the board of directors that we tried to move earlier. I think it's up to the government to recognize that going into this is to increase the size of the participants. Also, in legislation—he says it takes a legislative change. You can also change it legislatively to make it more streamlined and smaller. So I'll be supporting this NDP motion.

1110

The Chair: Any other comment? Hearing none, all in favour? Opposed? The motion is lost.

Page 49: a PC motion.

Mr. O'Toole: I move that subsection 42(1) of the bill be amended by adding the following clause:

“(k.1) establish a dispute resolution mechanism to resolve conflicts among the corporation, municipalities and local transit authorities.”

I think that's pretty self-explanatory. There needs to be, other than just a plain, ordinary Dalton-knows-best kind of resolution, or like we're seeing in the Caledonia situation, with no resolution at all—101 days. I'm just trying to put forward a dispute resolution process here.

The Chair: Any other comment?

Mr. McNeely: We believe that this has got to be a co-operative venture. It's up to the board to negotiate issues with municipalities, transit operators and other stakeholders. The board bylaws can outline how they can work to resolve disputes. We wouldn't want to prejudge how that is going to be done. We will not be supporting this motion.

The Chair: Any other comment?

Mr. O'Toole: Recorded vote on this.

Ayes

O'Toole, Ouellette, Tabuns.

Nays

Levac, Marsales, McNeely, Mitchell, Ramal.

The Chair: The motion is lost.

An NPD motion: page 50.

Mr. Tabuns: Mr Chair, I believe that my earlier amendment, clause 6(2)(g.2), lost, and thus, this motion does not connect into anything that exists. I'll withdraw it.

The Chair: Withdrawn. Thank you.

Mr. Tabuns: With regret.

The Chair: Page 51: a government motion.

Mr. McNeely: I move that clause 42(2)(b) of the bill be struck out and the following substituted:

“(b) authorizing the corporation to establish and impose fees and charges and to utilize other mechanisms for revenue generation,

“(i) for doing anything the corporation is required or permitted to do under this or any other act, subject to any limitations and restrictions set out in the regulation, or

“(ii) to generate funding for any purpose that is consistent with the corporation's objects.”

This authorizes the corporation to establish and impose fees and charges and to utilize other mechanisms for revenue generation. Examples are consulting fees, fees for providing services such as procurement on behalf of municipalities. The language in the amendment is more precise on authority than in the present bill; wording based on provisions in the Electricity Act in relation to the authority of the Ontario Power Authority to generate revenue. These are the reasons for this.

The Chair: Other comment? Hearing none, all in favour? Opposed? Carried.

Now, in a separate package, we have an NDP motion, clause 42(2)(b.1).

Mr. Tabuns: I move that subsection 42(2) of the bill be amended by adding the following clause:

“(b.1) prescribing amounts that are payable to the corporation under a development charge bylaw, including prescribing different amounts for different municipalities.”

The reality is that provision of a transit line is of great consequence to any developer. I've certainly talked to developers before who were very interested in extensions of GO bus and rail lines to their sections of the GTA so

they could develop areas that had in the past simply been farmland. If, in fact, we are going to finance this authority, those that generate the demand should contribute to part of the cost. Thus, I recommend this development charge.

The Chair: Any other comment?

Mr. McNeely: We see this as a potential conflict with the Development Charges Act, 2001, and will not be supporting it.

Mr. O'Toole: I'd like to just put on the record here that there have been a number of municipalities that raised—Mr. McNeely may not know this—the issue of revisiting the Development Charges Act, 2001. So I'd like the government to be on notice that I'd like to know—maybe I should ask through the Chair formally if I could have a written response. This is an important part of Mr. Tabuns's amendment. I think the Development Charges Act should be opened up.

The Chair: The member has made a request. You're free to answer at another time.

Mr. McNeely: That decision is up to the Ministry of Municipal Affairs. That's under their legislation. So we are against this motion.

The Chair: Any comment?

Mr. Levac: Staff have informed me that they would be willing to put something in writing.

The Chair: Very good.

Interjection.

Mr. Levac: Sorry, it's my allergies again. Staff have indicated their willingness to put that in writing, to respond in terms of the request about the development act.

The Chair: Thank you. Any other comment? Hearing none, all in favour?

Mr. Tabuns: Recorded vote.

Ayes

O'Toole, Ouellette, Tabuns.

Nays

Levac, Marsales, McNeely, Mitchell, Ramal.

The Chair: The motion is lost.

Page 52: an NDP motion.

Mr. Tabuns: I move that section 42 of the bill be amended by adding the following subsection:

"Limitation on regulations

"(3) No regulation shall be made under subsection (1) or (2) that has a financial impact on a participant unless the minister or the Lieutenant Governor in Council, as the case may be, has received the participant's prior consent."

Again, my concern is that the cost of this will be downloaded on to the municipalities; and thus providing them with protection.

Mr. McNeely: We will not be supporting this motion. Again, it's the use of the "participant" word. We will be voting against that.

The Chair: Any comment?

Mr. Tabuns: Recorded vote.

Ayes

O'Toole, Ouellette, Tabuns.

Nays

Levac, Marsales, McNeely, Mitchell, Ramal.

The Chair: The motion is lost.

Shall section 42, as amended, carry? All in favour? Opposed? Carried.

Shall section 43 carry? All in favour? Carried.

Section 44, page 53: We have an NDP motion.

Mr. Tabuns: I move that section 44 of the bill be amended by adding the following subsection:

"Financial statements to participants

"(1.1) The participants shall be provided with financial statements showing the assets, liabilities, rights and obligations of GO Transit as of the time of the transfer under subsection (1)."

Again, out of concern about downloading of the costs and responsibilities to the municipalities: provision of information to them to allow them to make the best decisions they can under the circumstances.

The Chair: Any other comment?

Mr. McNeely: We will not be supporting this motion. Municipalities are not partners on the GTTA board and have no vested interest or liability which this information might address.

1120

The Chair: Comment? Hearing none, all in favour? Opposed? The motion is lost.

Shall section 44 carry? All in favour? Opposed? Carried.

Section 45: government motion, page 54.

Mr. McNeely: I move that the bill be amended by adding the following section:

"Review of act

"45.1"—is that not the one we're at now? This is what's in my list.

The Chair: No, page 54. We're doing section 45.

Mr. Levac: On a point of order, Mr. Chair: We've got an additional sheet that says 45.1. I thought you might want to do that in front of 45.2, or does it go backwards?

The Chair: It comes after.

Mr. Levac: Thanks for the clarification.

Mr. O'Toole: I had made the same mistake just previously to your arrival. It's 45.1.

Mr. McNeely: Yes.

The Chair: It's page 54 of your package.

Mr. O'Toole: Page 54. Let's just skip it.

Mr. McNeely: Thank you, Chair, for giving me that time.

I move that subsection 45(2) of the bill be struck out and the following substituted:

"Same

"(2) For all purposes, including the purposes of an employment contract, a collective agreement and the Employment Standards Act, 2000, the employment of the employees of GO Transit is not terminated and those employees are not constructively dismissed because of the transfer under subsection (1)."

The Chair: Comment?

Mr. McNeely: It clarifies the language—I'm sorry.

Mr. O'Toole: I'm going to be pleased to support this. When you're creating a new organization, quite often they get a big severance buyout and all they do is get a name change on the uniform. The next day they're doing the same job, after getting bought out and brought back. I think it's good for employees' security and stability of employment and actually is an appropriate and accountable use of taxpayers' money. We'll be supporting this motion.

Mr. Ouellette: How does this affect contracted individuals with GO Transit?

Mr. McNeely: How does this affect—

Mr. Ouellette: Contracted individuals who are not direct employees but indirect employees?

Mr. McNeely: I would ask legal to address that.

Ms. Kim Lambert: Kim Lambert. I'm the director of the modal policy and partnerships branch with the Ministry of Transportation. All contract employment that is currently existing in the GO Transit organization will be carried over into the GTTA. There are no changes with this amendment.

Mr. Ouellette: So this does not affect them?

Ms. Lambert: It includes them as part of the contract.

Mr. O'Toole: I just have a question of staff here. It's nice to know this. I got the annual report from GO. How many employees are we talking about?

Ms. Lambert: It's approximately 1,200.

The Chair: Any other comment?

Mr. O'Toole: Any chance that Mr. Ducharme will be part of this?

The Chair: All in favour? Carried.

Shall section 45, as amended, carry? All in favour? Opposed? Carried.

Now we move to section 45.1, page 55. Mr. O'Toole.

Mr. O'Toole: This is a new section. I see there's also a government motion here too, so I'm not sure—

Interjection.

Mr. O'Toole: Okay. We'll just go with this.

I move that the bill be amended by adding the following section:

"Review of act

"45.1 The minister shall initiate a review of the effectiveness of this act no later than the third anniversary of the day this act receives royal assent."

As I see in there, earlier on there was a motion where the first appointment as chair would be by the LG or order in council. That was three years' maximum, and three years would put you after the election. I'll make sure that John Tory actually does review the act.

Thanks for attending.

The Chair: Any other comment?

Mr. McNeely: We'll be supporting the intent of this, but we'll be proposing our own amendment, so we'll be voting against this.

The Chair: Any other comment? Hearing none, all in favour? Opposed? This motion is lost.

NDP motion.

Mr. Tabuns: You have a government motion, I think.

The Chair: The NDP motion would be first. Mr. Tabuns, page 56.

Mr. Tabuns: I move that the bill be amended by adding the following section:

"Review of act

"45.1(1) The minister shall initiate a review of this act two years after the day section 2 comes into force and thereafter shall review this act every five years after the end of the previous review.

"Same

"(2) The minister shall consult the municipalities listed in clause 9(2)(b) as part of a review conducted under subsection (1)."

I think part of this has got the same intent as the Conservative motion and the government motion. Again, given that the municipalities will be directly affected by the operations of the GTTA and, in this case, they don't have any veto but they are listed as parties to be consulted, I think they would have valuable information for the minister in reviewing the operation of this authority.

The Chair: Comment?

Mr. O'Toole: This actually is quite important because we did have an amendment. I think we had an opportunity to agree with the Conservatives' thoughtful amendment or addition, but when I look at the NDP and the government motions, they're roughly the same except that there's this sort of fuzzy Liberal amendment. It says "at any time." I like the NDP motion, which says it shall be reviewed a little bit more consistently, at least every five years after. Is that what it says?

Mr. Tabuns: Yes, every five years after the end—

Mr. O'Toole: Yes, every five years. There's nothing to prevent the government from doing it before. Anyway, I'll be supporting the NDP motion on this.

Mr. Levac: Under the circumstances that the member made comment about, I would suggest respectfully that having some flexibility built into the amendment is an appropriate way to approach this, by not being so prescriptive as to not give the availability to make the decision on when the review should happen. So there's a straight rationale as to why we would want to approach it in the very concrete Liberal way.

The Chair: Any other comment? Hearing none, all in favour? Opposed? The motion is lost.

There is, as a separate part of your package, a government motion. Mr. McNeely.

Mr. McNeely: I move that the bill be amended by adding the following section:

"Review of act

"45.1 The minister shall initiate a review of this act three years after the day section 2 comes into force and thereafter may initiate a review of this act at any time,

but not earlier than five years after the end of a previous review.”

The Chair: Any comment?

Mr. Ouellette: The amendment states “not earlier than five years,” but there is no dictated time afterwards, which effectively says that there is no review required, could not be. What you’re saying here is that we could just keep going on forever without a review unless the minister says 20 years from now that a review take place. I think some sort of addition of a time frame should be included in there; within a possible 10 years would far better reflect the needs of ensuring it’s providing for the communities.

The Chair: Comment? Hearing none, I’ll call the question. All in favour? Opposed? Carried.

Shall the motion, as amended, carry? Carried.

Shall section 46 carry? All in favour? Opposed? Carried.

Shall section 47 carry?

1130

Mr. O’Toole: I have a question, a clarification, on section 47. This is under the City of Hamilton Act; that’s section 47. I’m not sure where to interject. We had formal contact with the city of Barrie, as well as other municipalities. Members have questioned whether or not this would contemplate integration of transit systems—I mean the transit systems, not the transportation systems—beyond what’s conceptualized here, like Hamilton, like Barrie, like Northumberland, like VIA Rail connections with Port Hope and Cobourg, and others that would like to integrate. Are they precluded from being part of this Greater Toronto Transit Authority? Would we need an amendment to allow that to happen? Maybe the legal staff—do you understand what I’m saying?

Right now there are other service multi-modal providers. They need to be integrated into this. One of them is VIA Rail. It’s a very big part of eastern Ontario’s commuter transit patterns. I know people personally who come here to Queen’s Park every day on VIA Rail as opposed to GO Transit. They get their train east of Bowmanville, I guess. When you look at the future, we’re technically talking about potentially a VIA link to Peterborough. I think that should happen, personally. I think there should be some flexibility in this authority to coordinate provincially. It just makes sense. I would ask the staff.

Mr. Flowers: Thank you. If you look at subsection 42(1), the regulation-making authority of the minister, under sub (b): “The minister may make regulations ... prescribing additional areas...” So by regulation they can expand the area in which the GTTA will operate. Therefore, to answer your specific question, there’s certainly nothing here that precludes that. In fact, it contemplates that the very thing you were talking about can be accomplished.

Mr. O’Toole: Very good. I’m happy I asked because I didn’t pick up that nuance. Thank you. I guess I probably supported that section before.

The Chair: Shall section 47 carry? All in favour? Opposed? Carried.

Shall section 48 carry? Carried.

Shall section 49 carry? Carried.

Section 50: government motion, page 57.

Mr. McNeely: I move that the French version of the definition of “GO Transit” in section 1 of the Greater Toronto Transportation Authority Act, 2006, as set out in subsection 50(1) of the bill, be amended by striking out “division Réseau GO” and substituting “Division du Réseau GO.”

The Chair: Any comment? Hearing none, all in favour? Opposed? Carried.

Page 58, government motion.

Mr. McNeely: I move that the French version of paragraph 3 of section 4 of the Greater Toronto Transportation Authority Act, 2006, as set out in subsection 50(2) of the bill, be struck out and the following substituted:

“3. La Division du Réseau GO.”

The Chair: Any comment? Hearing none, all in favour? Opposed? Carried.

Government motion, page 59.

Mr. McNeely: I move that the French version of subsection 8.1(1) of the Greater Toronto Transportation Authority Act, 2006, as set out in subsection 50(4) of the bill, be amended by striking out “sa division Réseau GO” in the portion before clause (a) and substituting “sa Division du Réseau GO.”

The Chair: Comment? Hearing none, all in favour? Opposed? Carried.

PC motion on page 60. Mr. Ouellette.

Mr. Ouellette: I move that section 8.1 of the Greater Toronto Transportation Authority Act, 2006, as set out in subsection 50(4) of the bill, be amended by adding the following subsection:

“Disabled person parking

“(2.1) A bylaw passed under clause (2)(f) shall provide that, for each parking lot established, constructed, managed or operated under that clause, a specified number of parking spaces that are closest to the GO Transit station are reserved for motor vehicles that have been modified to make them accessible to persons with disabilities.”

The Chair: Comment?

Mr. Ouellette: The reason for this is that for those members such as myself who have GO lots and other lots, we’re finding there is a larger number of individuals who are receiving disability parking passes. What’s taking place is that these individuals will park in the closest one, as they’re allowed to do. However, individuals who have vans that are modified to have motorized lifts—the lift comes out, the lift goes down, the wheelchair comes off and then goes back in—are finding that they are moved to certain sections within this, where when a car pulls up beside them, they cannot lift, and they’re sitting there waiting until the car beside them comes to move their vehicle. Allowing the first place to be designated as a motorized vehicle lift only

will allow them the closest spot, or the sidewalks on the sidewalk side, to park so they can allow the extension of their motorized lift to go out and come down. It's occurring in GO lots as well as a number of other lots, and we're trying to address that problem to ensure that these individuals are not blocked in and not able to get out of their spots.

Mr. McNeely: We agree with the intent of this motion, but GO Transit already engages in this activity and is very conversant with the issues and there are provincial statutes that cover this. We will not be supporting this motion.

Mr. O'Toole: I'm primarily here because I'm supposed to be the transportation critic, and I guess I do the best I can. But on this accessibility issue, there's a current group, not just on this—Mr. Ouellette has moved this amendment here. I would ask you to look at it and, certainly, if you're not going to vote for it, to bring it to attention, because it is important. What happens is, you've got a side entry van and you get blocked in because of this lack of designated spots. It wouldn't be a problem at the end of every row to have a designated spot, to increase the designated spots. In Durham, these lots, for the most part, are jammed because there's just not enough service out there. I think the government, by regulation at least, if we could have an amendment here, could mandate them to look at that.

You're right: The Ontario disabilities act is being strengthened. I support that; I think we all do. Another thing is, for most of the government, under the Ontario assistive devices or modified vehicles plan, there's a regulation just passed in which they're being very prescriptive on only having side entry vans. I think a lot of this whole accessibility of vehicles—maybe it doesn't belong here, but I'm just trying to get it on the record. Rear entry is just as good and just as safe. In fact, the integrity of the vehicle is even better when it's a rear entry van. It would solve some of these little problems in the parking lot. But it's not related.

I'll be supporting Mr. Ouellette. I would ask Mr. McNeely to go off the notes a bit here, just close that notebook they gave you to read and use your own—like Mr. Levac does.

Mr. Levac: I will go off notes in my comments, and just bring to our attention that the situation you described doesn't seem to hook up, unless the word "managed" is what you're talking about, because everything else is basically the specification of the number of spaces that you're talking about. The issue that you bring up—I think the "managed" part is what you're talking about. If that's the case, you can be assured that not only will we bring to the attention of the Ontarians with Disabilities Act the intent of the motion, but we would make sure that the Hansard of our discussion is forwarded to the appropriate officials so that the case you're bringing up inside of the discussion will be brought to their attention to ensure that the appropriate authorities are going to take care of that.

1140

Mr. Ouellette: Thank you, Mr. Levac. I appreciate that the intention, when dealing with legal in developing this amendment, was that through regulation they would be able to prescribe a designation and a proper notification and those aspects, to ensure that those first sites would be designated through regulation. The intent was to bring it forward with an opening clause in the legislation. I appreciate and am thankful for the support to move forward with that through the disabilities act.

Mr. Levac: If I may, just in terms of a dialogue, is that what I'm talking about, in terms of the management part? Because you had to do the legal spot, you're talking about how it's managed, which addresses the specific scenario that you pointed out. Right?

Mr. Ouellette: I believe so.

The Chair: Comment? Hearing none, I'll call the question. All in favour? Opposed? The motion is lost.

Page 61, a government motion.

Mr. McNeely: I move that section 8.1 of the Greater Toronto Transportation Authority Act, 2006, as set out in subsection 50(4) of the bill, be amended by adding the following subsection:

"Use of names, Greater Toronto Transit Authority and GO Transit

"(6) Any usage of the name Greater Toronto Transit Authority or GO Transit on any document or sign is deemed to be a reference to the Greater Toronto Transportation Authority and a document or sign is not invalid or ineffective by reason only that it uses such name."

The Chair: Comment?

Mr. O'Toole: A question: In the interest of protecting the taxpayer, we're not going to spend a couple of million dollars right away changing the names of all these parking lots and everything, right? Letterhead, new paper, new uniforms, new everything, vehicles all painted differently—we're not going to waste all that money, right?

Mr. McNeely: I think this provision is to protect the legal names. I'm sure the Greater Toronto Transportation Authority will be moving forward in a very reasonable manner with all that type of action.

Mr. O'Toole: As long as you can move very quickly on saving money.

The Chair: Thank you. I'll call the question. All in favour? Opposed? Carried.

An NDP motion, page 62.

Mr. Tabuns: I move that clause 16(2)(a) of the Greater Toronto Transportation Authority Act, 2006, as set out in subsection 50(6) of the bill, be struck out and the following substituted:

"(a) to hold, manage, operate, fund and deliver, within the regional transportation area, the GO Transit system, any local transit system or any other transportation service, by agreement with the municipalities to be served by the system or service."

Once again, my concern is about costs and responsibilities being loaded down on to the municipalities, because the funding for this authority has not been provided in the legislation. I'm just making sure that those

municipalities have some options in this matter. I think we've gone through this debate.

Mr. McNeely: We will not be supporting this amendment. This would give municipalities the ability to alter the GO Transit system. Under current wording, the GTTA would not be able to unilaterally take over local transit systems. We will not be supporting the motion.

The Chair: Further comment? Hearing none, I'll call the question. All in favour? Opposed? The motion is lost.

Mr. Tabuns: The last motion, Mr. Chair, I withdraw—

The Chair: No, it's a different section, I do believe.

Shall section 50, as amended, carry? All in favour? Opposed? Carried.

Shall section 51 carry? Carried.

Shall section 52 carry? Carried.

Now we have an NDP motion on page 63. Mr. Tobin—Tabuns.

Mr. Tabuns: Everyone gets to be creative with it at one point or another. What can I say? I'm sure Dave and Khalil have had similar experiences.

In any event, I withdraw. Given that my earlier amendment was defeated, this amendment would not make sense.

The Chair: Any other comment? Hearing none, all in favour? Oh, withdrawn. Sorry. It was withdrawn.

Mr. Ouellette: Mr. Chair, just before we move on to close the proceedings on this bill, I would like to put forward a recommendation—and this is mostly geared towards the government members—that in the future, for any bill that's been placed before committee, particularly a government bill, whereby the number of amendments exceeds anywhere from, say, 30%, even 50% of the pages of the bill, prior to clause-by-clause, a ministerial technical amendment briefing take place, not so much to debate but to explain the implications of all the amendments that have come forward. For example, in this particular bill, it's listed as 26 pages and we've had a significant number of amendments come forward. I'm not sure that everybody is quite clear on all the technical implications of the changes. My recommendation, mostly to the government members, as they're the ones who determine what takes place, is that a technical briefing of the amendments, when it's in excess of 40% or 50% of the number of pages in a bill—just to try and establish a number—come forward so that we can all gain a better understanding of what the actual intent is.

The Chair: Yes, we can take that under advisement.

Mr. Levac: I appreciate the comments. We do take it under advisement, but I would like to make sure that we have it clear as to what the intent is, because if we do it by sheer number, we could also be talking about changing French words, we could be talking about making minor adjustments that absolutely everybody will understand. Can I assume that you mean substantive or changing directives within reason?

Mr. Ouellette: I believe the difficulty is when you get to determine what is substantive and what is not. I tried to pick some sort of a level. It's 26 pages and you have 24 amendments—14 amendments, I think, that may

significantly change. The only intention is to give a clear understanding of what the intention of the amendments is.

Mr. Levac: Accepted as advice.

Mr. O'Toole: If I may, Chair, because we're talking about something and putting in a bit of time before lunch here. Yesterday, I was participating on the other committee on Bill 102—same thing. Time-allocating these things and then submitting these amendments—

Mr. Khalil Ramal (London-Fanshawe): Mr. Speaker, on a point of order—

The Chair: Go ahead.

Mr. O'Toole: Chair, I have the floor, please.

Interjection: He recognized him on a point of order.

Mr. Ramal: I think we're talking about a totally different bill here. I guess Bill 102 has been passed and all the people from different stakeholders are happy with the result. We get a lot of messages—

The Chair: That's not a point of order.

Mr. O'Toole: That's not a point of order. Thanks for that political ramble. What I was saying is that Mr. Ouellette is trying to move a very constructive point for newer members here, the first-term members especially.

The Chair: It's taken under advisement.

Mr. O'Toole: That's why I got frustrated this morning.

The Chair: We'll move to the bill at hand. Shall section 53 carry? Carried.

Shall section 54 carry? Carried.

Shall the title of the bill carry?

Mr. O'Toole: Recorded vote.

The Chair: A recorded vote is requested.

Ayes

Levac, Marsales, McNeely, Mitchell, O'Toole, Ouellette, Ramal, Tabuns.

The Chair: Carried.

Shall Bill 104, as amended, carry?

Mr. Tabuns: Sorry; I should have asked for a recorded vote on this.

The Chair: You want a recorded vote as well? I'll oblige.

Shall Bill 104, as amended, carry? Recorded vote requested.

Ayes

Levac, Marsales, McNeely, Mitchell, Ramal.

Nays

Ouellette, Tabuns.

The Chair: Carried.

Shall I report the bill, as amended, to the House? All in favour? Carried.

That concludes the business of this committee. We are adjourned.

The committee adjourned at 1148.

CONTENTS

Thursday 8 June 2006

Greater Toronto Transportation Authority Act, 2006, Bill 104, Mrs. Cansfield / Loi de 2006 sur la Régie des transports du grand Toronto, projet de loi 104, M ^{me} Cansfield.....	F-493
--	-------

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Also taking part / Autres participants et participantes

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Ministry of Transportation

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F-14

F-14

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Second Session, 38th Parliament

Assemblée législative de l'Ontario

Deuxième session, 38^e législature

Official Report of Debates (Hansard)

Monday 12 June 2006

Journal des débats (Hansard)

Lundi 12 juin 2006

Standing committee on finance and economic affairs

Income Tax Amendment Act
(Ontario Home Electricity
Relief), 2006

Comité permanent des finances et des affaires économiques

Loi de 2006 modifiant la Loi de
l'impôt sur le revenu (aide au
titre des factures d'électricité
résidentielle de l'Ontario)

Chair: Pat Hoy
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Monday 12 June 2006

Lundi 12 juin 2006

The committee met at 1603 in committee room 1.

SUBCOMMITTEE REPORT

The Chair (Mr. Pat Hoy): The standing committee on finance and economic affairs will now come to order. The first bit of business would be the report of the subcommittee.

Mr. Wayne Arthurs (Pickering–Ajax–Uxbridge): Mr. Chairman, your subcommittee on committee business considered on Thursday, June 8, 2006, the method of proceeding on Bill 117, An Act to amend the Income Tax Act to provide for an Ontario home electricity payment, and recommends the following:

1. That proposed amendments to be moved during clause-by-clause consideration of the bill should be filed with the clerk of the committee by 3 p.m. on Friday, June 9, 2006.

The Chair: Thank you. All agreed? Agreed. Good.

INCOME TAX AMENDMENT ACT
(ONTARIO HOME ELECTRICITY
RELIEF), 2006LOI DE 2006 MODIFIANT LA LOI DE
L'IMPÔT SUR LE REVENU (AIDE AU
TITRE DES FACTURES D'ÉLECTRICITÉ
RÉSIDENTIELLE DE L'ONTARIO)

Consideration of Bill 117, An Act to amend the Income Tax Act to provide for an Ontario home electricity payment / Projet de loi 117, Loi modifiant la Loi de l'impôt sur le revenu pour prévoir un paiement au titre des factures d'électricité résidentielle de l'Ontario.

The Chair: Now we'll move to exactly that: clause-by-clause of the bill. We have one under the first section, a PC motion found in your package on page 1. Mr. Hudak.

Mr. Tim Hudak (Erie–Lincoln): Thank you very much, Chair.

I move that the definition of "family income" in subsection 8.6.1(1) of the Income Tax Act, as set out in section 1 of the bill, be amended by striking out "for 2005" wherever it appears and substituting "for the 2005 or a later taxation year."

One of the concerns that the official opposition has brought up in the Legislature is that this bill is a one-off.

In fact, we've heard directly from the government that hydro rates are only going to increase in the future. If the government does believe that low-income individuals and families need some assistance, then they will likely similarly need assistance next year. Therefore, we believe that the sunset date, if you will, of 2005 should be extended as far as 2009. We have a number of amendments in that vein and this is one that supports that thought.

Again, I'd ask my colleagues to support this motion, if they'd like to see this actually help low-income individuals and families in the time going forward, as opposed to an ad hoc, one-year-at-a-time initiative.

The Chair: Further comment?

Mr. Arthurs: The government can't be in support of this particular amendment in light of the fact that we're focused on a one-time assistance provision at this point and would address subsequent years—the government would consider addressing that at a subsequent time. But this legislation is intended as one-time assistance for low-income families and individuals.

The Chair: Comment?

Mr. Hudak: I'd say to my friend the parliamentary assistant for finance that you're a busy fellow. You've been covering a lot of legislation. I know how hard you're working. This will save you time. This will mean that you won't have to stand in the Legislature this time next year, or here in committee with Mr. Prue and myself, and go through the same thing. So I would suggest, in the interest of spending some more time with your family and constituents and the other good work that you do, that you support the motion.

The Chair: Any other comment? Hearing none—

Mr. Hudak: A recorded vote, Chair.

Ayes

Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Sandals.

The Chair: The motion is lost.

Dealing with the same section, page 2 in your package, an NDP motion.

Mr. Michael Prue (Beaches—East York): I move that the definitions of “family income”, “qualified dependant” and “qualified relation” in subsection 8.6.1(1) of the Income Tax Act, as set out in section 1 of the bill, be struck out.

We only really have one substantive motion, and for it to work, these definitions cannot be there because we believe it needs to go right to the heart of the Income Tax Act. It needs to go to individuals. It needs to go to all people who are in poverty or some form of poverty to get the money. This ties it in with what we think is a flaw in the government’s proposal because it’s an individual versus two or more people. This would mean that when you have a lot of people in the house, then you would get the amount that each person is eligible for under the Income Tax Act.

The Chair: Comment?

Mr. Hudak: I commend my colleague for bringing this forward. We have similar concerns in the Progressive Conservative Party that the more children, for example, a family has, the more electricity they’ll probably use. If this bill were truly about rebates for electricity, it would be sensible that the more dependants there are in a home, the more of a rebate, if you use this mechanism, people should receive.

We also believe, in a general sense, that the relief should be broadened. Working families and seniors are having increasingly difficult times making ends meet in Dalton McGuinty’s Ontario and any form of relief will help them make these types of payments.

We will be supporting this motion.

The Chair: Further comment?

Mr. Arthurs: The government can’t support the particular amendment that’s in place. It would broaden the scope of the overall legislation. The legislation is focused on either individuals or family units of some sort based on income provisions.

The Chair: Comment?

Mr. Prue: I thought that this might be the result. The motion that we’re talking about is number 7. I might as well ask for a recorded vote on it as well.

The Chair: Are we ready for the question?

Ayes

Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Sandals.

The Chair: The motion is lost.

Section 1, a Conservative motion, page 3.

Mr. Hudak: I move that subsection 8.6.1(2) of the Income Tax Act, as set out in section 1 of the bill, be amended by striking out “for 2005” and substituting “for the 2005, 2006, 2007, 2008 or 2009 taxation year”.

The Chair: Comment?

Mr. Hudak: This follows up my first motion. We do believe that the ad hoc approach the government is taking through this bill is inappropriate. If they are going to use this kind of mechanism, realizing that hydro rates are going to be increasing in Dalton McGuinty’s Ontario with the failed hydro policy, it would be wise, then, to extend this bill all the way through to the 2009 taxation year.

1610

The Chair: Further comment? Hearing none—

Mr. Hudak: A recorded vote, Chair.

Ayes

Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Sandals.

The Chair: The motion is lost.

The PC motion on page 4.

Mr. Hudak: I move that subsection 8.6.1(3) of the Income Tax Act, as set out in section 1 of the bill, is struck out and the following substituted:

“Who qualifies

“(3) An individual is deemed to have made an over-payment on account of tax payable under this act for a taxation year ending after December 31, 2004 and before January 1, 2010 if the following conditions are satisfied:

“1. The individual is resident in Ontario on December 31 of the taxation year and a return of income in respect of the individual’s taxation year is filed for the purposes of this act before January 1 of the second taxation year after the taxation year.

“2. The individual has not died on or before October 1 of the following taxation year and is resident in Ontario on that day.

“3. The individual is not confined to a prison or similar institution on December 31 of the taxation year or on October 1 of the following taxation year and is not confined to a prison or similar institution during the taxation year for one or more periods that in total exceed six months.

“4. The individual or his or her qualified relation reported an occupancy cost in his or her return of income for the taxation year for the purposes of claiming a property tax credit under subsection 8(3), (3.1) or (3.2) and was entitled to deduct from tax otherwise payable under this act for that year an amount calculated under 8(3), (3.1) or (3.2).

“5. The provincial minister has not made an Ontario home electricity payment to a person who was the individual’s qualified relation at the end of the taxation year.

“6. The amount of the individual’s Ontario home electricity payment as determined under subsection (4) for the taxation year is greater than zero.”

The Chair: Comment?

Mr. Hudak: Again, this is a companion amendment to our others that will extend the act into the 2009 tax-ation year.

The Chair: Further comment? Hearing none—

Mr. Hudak: A recorded vote.

Ayes

Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Sandals.

The Chair: The motion is lost.

Staying with section 1, NDP motion, page 6.

Mr. Prue: I move that subsection 8.6.1(3) of the Income Tax Act, as set out in section 1 of the bill, be amended by striking out paragraph 5.

The explanation is that this is necessary if you are to adopt the next motion.

The Chair: Any other comment?

Mr. Prue: A recorded vote.

Mr. Hudak: It sets us up for the next motion, Mr. Prue? If you don't mind, just give me a preview of what the impending motion is going to do.

Mr. Prue: Well, the next companion motion actually sets out a higher rate of payment for people to actually pay the cost of their electricity. At \$20,000, the amount is \$120 versus \$60—that's for an individual—and then it goes down on a sliding scale from there. It in effect doubles at the lowest rate and allows people earning up to \$40,000 to receive some form of rebate. It's our position that these people are all low-income people and deserve something.

Mr. Hudak: I thank Mr. Prue for that explanation. I agree that the amount of return under Bill 117 as it stands is insulting to some individuals at these levels of income. To receive that small an amount, considering the increase in hydro bills under Dalton McGuinty, is cold comfort to these families. We will be supporting Mr. Prue's motion.

The Chair: Comment? Hearing none, a recorded vote has been requested.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Sandals.

The Chair: The motion is lost.

NDP motion, page 7.

Mr. Prue: I move that subsection 8.6.1(4) of the Income Tax Act, as set out in section 1 of the bill, be struck out and the following substituted:

"Amount of the payment

"(4) The amount of an Ontario home electricity payment to which an individual is entitled is determined as follows:

"1. If the individual's income does not exceed \$20,000, the amount of the individual's Ontario home electricity payment is \$120.

"2. If the individual's income exceeds \$20,000 but does not exceed \$25,000, the amount of the individual's Ontario home electricity payment is \$90.

"3. If the individual's income exceeds \$25,000 but does not exceed \$30,000, the amount of the individual's Ontario home electricity payment is \$60.

"4. If the individual's income exceeds \$30,000 but does not exceed \$35,000, the amount of the individual's Ontario home electricity payment is \$30.

"5. If the individual's income exceeds \$35,000 but does not exceed \$40,000, the amount of the individual's Ontario home electricity payment is calculated using the formula,

"\$30 - (0.006 x A)

"in which 'A' is the amount by which the individual's income exceeds \$35,000."

By way of explanation, we looked at the 16 cents a day that you get at the highest rate under this bill and, quite frankly, found it insulting. We looked at the people who were eligible to get the money. Certainly, it is at the deepest level of poverty, and we understand that that's where you want to target the resources. But it would seem to us that there are many, many people in this province who are struggling to make ends meet, for whom higher electricity costs are but one factor, and all of them deserve some amount of rebate. We're taking this up to just above the poverty level to make sure that they share at least something in this government program.

The Chair: Comment?

Mr. Hudak: I again commend Mr. Prue for bringing this forward. The Progressive Conservative caucus agrees that the amounts contemplated in Bill 117, as it stands, will make a very small dent, at best, in the increased costs experienced by working families and seniors. We have a similar motion upcoming and I do hope that Mr. Prue's is successful in the pending vote.

The Chair: Further comment?

Mr. Arthurs: Although we certainly appreciate the efforts to expand and enhance the program in Mr. Prue's motion and earlier motions, the government's commitment to \$100 million, targeted to the greatest extent possible to those with the highest need, is the nature of the bill. Unfortunately, we can't support the amendment.

Mr. Hudak: If I could, to the parliamentary assistant, who referenced the \$100 million—which was a non-budgeted item; it wasn't included in the budget. The \$100 million seems to have come out of nowhere. There was no real rationale. Could the parliamentary assistant explain why \$100 million was picked as the magic number for relief?

Mr. Arthurs: I don't have details on that. Ministry of Finance staff, I presume, would certainly have looked at the rough population base and known income levels

through CRA and determined that this would be of a magnitude that would likely fit that requirement, that those numbers of people at this amount of income range would likely be in that quantum. I wouldn't want to say it's an exact dollar figure.

Mr. Hudak: Just to pursue, is the parliamentary assistant aware of any other programs that have similarly used this amount of money or these income levels in other provinces or previously in Ontario? I'm just curious why these particular income levels and this amount of relief, which the opposition is saying is really not that much.

Mr. Arthurs: I'm afraid I can't help you with any other programs that I'm aware of.

Mr. Prue: A recorded vote.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Sandals.

The Chair: The motion is lost.

Page 8, a PC motion.

Mr. Hudak: I move that subsection 8.6.1(4) of the Income Tax Act, as set out in section 1 of the bill, be struck out and the following substituted:

"Amount of the payment

"(4) The amount of an Ontario home electricity payment to which an individual is entitled for a taxation year is determined as follows:

"1. If the individual does not have a qualified relation or a qualified dependant on December 31 of the taxation year, the amount of the individual's Ontario home electricity payment is the amount calculated using the formula,

"\$120 – (0.01 x A)

"in which,

"'A' is the amount, if any, by which the individual's income for the taxation year exceeds \$28,000.

"2. If the individual has a qualified dependant or a qualified relation on December 31 of the taxation year, or both, the amount of the individual's Ontario home electricity payment is the amount calculated using the formula,

"\$240 – (0.01 x B)

"in which,

"'B' is the amount, if any, by which the individual's family income for the taxation year exceeds \$46,000."

1620

This expands—"generosity" is probably an inaccurate word—the amount of funds coming forward in two ways. First of all, it expands the amount of money individuals would receive at various income levels and, secondly, it doubles the brackets that would be used. For example, under Bill 117, as it stands, any families who have an income of \$35,000 and up would receive no relief whatsoever.

I remind my colleagues that working families, individuals and seniors are facing increased costs: There's the new Dalton McGuinty health tax; hydro rates have gone up some 55%; there are increases also in transmission and distribution charges; we all know that gas is \$1.03, \$1.05 in various ridings in the province; and home heating fuels, whether it's propane or natural gas etc., are up. In short, it is awfully hard to make ends meet in Dalton McGuinty's Ontario. Therefore, we want to expand the eligibility towards middle-class families, so the cut-off would be \$70,000 and up for families and \$40,000 and up for individuals.

One last example, to go into the middle of the pack: Under the government's bill as proposed, somebody making the very modest sum of \$16,000 in income would receive \$40. We then say, if this amendment were to pass, that \$32,000 would be the midway cut-off, and they would receive \$80 in relief, effectively doubling the amounts of relief in each bracket and doubling the upper range of each of the brackets.

The Chair: Comment?

Mr. Hudak: A recorded vote.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Sandals.

The Chair: The motion is lost.

PC motion, page 10.

Mr. Hudak: I move that subsection 8.6.1(4) of the Income Tax Act, as set out in section 1 of the bill, be struck out and the following substituted:

"Amount of the payment

"(4) The amount of an Ontario home electricity payment to which an individual is entitled for a taxation year is determined as follows:

"1. If the individual does not have a qualified relation or a qualified dependant on December 31 of the taxation year, the amount of the individual's Ontario home electricity payment is the amount calculated using the formula,

"\$60 – (0.01 x A)

"in which,

"'A' is the amount, if any, by which the individual's income for the taxation year exceeds \$28,000.

"2. If the individual has a qualified dependant or a qualified relation on December 31 of the taxation year, or both, the amount of the individual's Ontario home electricity payment is the amount calculated using the formula,

"\$120 – (0.01 x B)

"in which,

"'B' is the amount, if any, by which the individual's family income for the taxation year exceeds \$46,000."

I regret that our previous motion had been voted down by the Liberal caucus, which would have doubled the

ranges for assistance into the neighbourhood of middle-class families and also doubled the assistance. This, while not as generous, is trying to find a compromise with the government members. If we can't double both the rebate and the eligibility cut-offs, we'd at least like to see the existing rebate extended to middle-class and middle-income families, so the top range before cut-off would be \$40,000 for individuals and \$70,000 and up for families.

The Chair: Comment?

Mr. Hudak: A recorded vote.

The Chair: Hearing none, a recorded vote is requested.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Sandals.

The Chair: The motion is lost.

PC motion 12.

Mr. Hudak: I move that subsection 8.6.1(4) of the Income Tax Act, as set out in section 1 of the bill, be struck out and the following substituted:

"Amount of the payment

"(4) The amount of an Ontario home electricity payment to which an individual is entitled for a taxation year is determined as follows:

"1. If the individual does not have a qualified relation or a qualified dependant on December 31 of the taxation year, the amount of the individual's Ontario home electricity payment is the amount calculated using the formula,

"\$120 - (0.01 x A)

"in which,

"A' is the amount, if any, by which the individual's income for the taxation year exceeds \$14,000.

"2. If the individual has a qualified dependant or a qualified relation on December 31 of the taxation year, or both, the amount of the individual's Ontario home electricity payment is the amount calculated using the formula,

"\$240 - (0.01 x B)

"in which,

"B' is the amount, if any, by which the individual's family income for the taxation year exceeds \$23,000."

I'm going to press my luck. Maybe the third time's the charm. Here, we were unable to double the eligibility levels and double the rebates. Then last time, we failed to double the eligibility level. So at least I'm going to try to double the rebates.

These are the lowest-income individuals. Again, currently under the government's proposed package, somebody making up to \$14,000 would receive a maximum of \$60 relief from the higher hydro rates. That obviously is not going to last very long for these individuals or families making incomes up to \$23,000 no matter how many children they have. Therefore, we propose to

double the relief. It's still, in the grand scheme of things, a modest sum, considering the cost-of-living increases that have occurred under the McGuinty government. Nonetheless, I will appeal to my colleagues' sense of generosity and ask them to support this motion to double the rebate levels to this very modest level.

The Chair: Comment? Hearing none—

Mr. Hudak: Recorded vote, Chair.

Ayes

Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Sandals.

The Chair: The motion is lost.

PC motion, page 14.

Mr. Hudak: I move that subsection 8.6.1(4) of the Income Tax Act, as set out in section 1 of the bill, be amended by striking out the portion before paragraph 1 and substituting the following:

"Amount of the payment

"(4) The amount of an Ontario home electricity payment to which an individual is entitled for a taxation year is equal to 139% of the amount determined as follows:

"1. If the individual does not have a qualified relation or a qualified dependant on December 31 of the taxation year, the amount of the individual's Ontario home electricity payment is the amount calculated using the formula,

"\$60 - (0.01 x A)

"in which,

"A' is the amount, if any, by which the individual's income for the taxation year exceeds \$14,000.

"2. If the individual has a qualified dependant or a qualified relation on December 31 of the taxation year, or both, the amount of the individual's Ontario home electricity payment is the amount calculated using the formula,

"\$120 - (0.01 x B)

"in which,

"B' is the amount, if any, by which the individual's family income for the taxation year exceeds \$23,000."

As we will recall, Dalton McGuinty promised to freeze the price of power at 4.3 cents per kilowatt hour in order to win votes in the last election. Once he was elected Premier of the province, he set about breaking his promises, including this important promise. We've seen since that time several increases in the price of power as well as increases in distribution and transmission costs. While I failed to get the rebate levels increased or the eligibility levels broadened for more families and individuals, at the very least this will be a step towards relieving some of the increased hydro prices that have been experienced because of Dalton McGuinty's broken promises.

The Chair: Comment?

Mr. Prue: I just have a question. I take it this is just increasing the amount by 39% of what the government's rate is. That would amount to some \$22 extra per month.
1630

Mr. Hudak: Exactly. Again, it's very modest. We are talking about a small amount of money that the government is offering, so it would be a further 39% increase on those sums. At the very least, I would hope my colleagues across the way would support this motion.

The Chair: Comment? Hearing none—

Mr. Hudak: A recorded vote, Chair.

Ayes

Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Sandals.

The Chair: The motion is lost.

PC motion 16.

Mr. Hudak: I move that section 8.6.1 of the Income Tax Act, as set out in section 1 of the bill, be amended by adding the following subsection:

"Increased payment for seniors and disabled

"(4.1) The amount of an Ontario home electricity payment to which an individual is entitled is 200% of the amount otherwise determined under subsection (4) if,

"(a) the individual or his or her qualified relation has attained the age of 65 years; or

"(b) the individual or his or her qualified relation is entitled to a credit for the taxation year under subsection 4.0.1(11.1) in respect of a mental or physical impairment."

What this motion, if passed, will do is top up the benefit to seniors or those who are qualified as disabled individuals. These are individuals on fixed incomes with, in most cases, limited means of going out and getting further work to help pay for these increased hydro costs. I would hope that, at least for senior citizens and those with disabilities, the government would increase the benefit to help them, because in their particular circumstances they're dealing with fixed incomes and limited opportunities to increase them.

The Chair: Comment?

Mr. Arthurs: While I can appreciate the nature of the amendment coming forward, it's our objective to put these dollars in the hands of low-income individuals and families and to do it as quickly as possible. Adding additional criteria could complicate the process by which these dollars are processed and made available.

The Chair: Comment?

Mr. Hudak: I appreciate my colleague's comments. I know he is supportive of the principle of helping out the disabled and senior citizens. I don't think it will make it much more complex, because it's a simple 200% increase, so it's a matter of multiplying the benefit for individuals who are seniors or disabled. Both of those deter-

minants are rather easy to ascertain. If someone is over the age of 65, it's relatively easy to determine that that's the case, and also those who are defined as disabled. I think we have the right language there, with the kind assistance of legislative counsel, to make sure we are helping out those who are disabled and on fixed incomes. So I don't think there's a great deal of complexity to this and I do hope my colleagues will support this motion.

The Chair: Further comment? Hearing none—

Mr. Hudak: Recorded vote.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Sandals.

The Chair: The motion is lost.

PC motion 17.

Mr. Hudak: I move that section 8.6.1 of the Income Tax Act, as set out in section 1 of the bill, be amended by adding the following subsection:

"Additional payment for dependants

"(4.1) The amount of an individual's Ontario home electricity payment as otherwise determined under subsection (4) shall be increased by the amount of \$25 for each person who was a qualified dependant of the individual on December 31 of the taxation year."

The reality is that this bill has nothing to do with hydro policy. It's a rebate program that gives individuals some modest relief, really, for whatever the cost. It's not connected to their electricity use. It was described as such when the minister brought this forward. When they brought forward the press release, they clearly indicated this was to be related to hydro costs, but if you are making \$18,000, you'll get your \$20 payment in the mail whether you're on the grid or not. I guess it's possible to conceive that somebody who does not use electricity on our system would still receive a payment under this legislation, if passed.

So I'm trying to make some sort of connection to actual hydro use by this motion. It would mean that for every dependant in a family, an additional \$25 in the form of a rebate would come forward. It's a pretty fair assumption that the more children or dependants in the home you have, the more electricity will be consumed, all else constant. So I do hope we'll see some support on this to help out families with children, others with dependants, and truly reflect how much electricity is consumed by eligible individuals.

The Chair: Comment? Hearing none—

Mr. Hudak: Recorded vote.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Sandals.

The Chair: The motion is lost.

PC motion on page 18.

Mr. Hudak: I move that section 8.6.1 of the Income Tax Act, as set out in section 1 of the bill, be amended by adding the following subsection:

“Additional refund equal to Ontario health premium

“(4.1) If an individual is entitled to an Ontario home electricity payment under this section for a taxation year and has paid an Ontario health premium for the taxation year or a previous taxation year under section 2.2, the amount of the individual’s Ontario home electricity payment shall be increased by the sum of the Ontario health premium paid by the individual for the taxation year and the total of all Ontario health premiums paid by the individual for all previous taxation years to the extent they have not already been refunded under this subsection.”

If the Dalton McGuinty government truly is interested in sending out rebates to taxpayers, why not go the whole way and refund the Ontario health tax? We will remember that Dalton McGuinty promised not to increase taxes, and one of his first pieces of legislation was a massive tax hike on the backs of working families, seniors and other Ontario taxpayers. So if you’re already stuffing the envelope, why not put the Ontario health premium in there?

There’s a bit of poetic justice to this too, because these are sort of the dynamic duo of campaign promises broken by Dalton McGuinty. He had promised to freeze hydro rates at 4.3 cents per kilowatt hour. He had promised to freeze taxes. He broke both of those promises, and this is a chance for the Premier to make good to Ontario taxpayers by refunding both in the same envelope, saving taxpayers’ dollars.

The Chair: Further comment?

Mr. Arthurs: The government can’t support this amendment. Certainly the opposition, Mr. Hudak, is creative in his amendments in that regard, but it’s clearly not a motion we can entertain.

The Chair: Comment? Hearing none—

Mr. Hudak: Recorded vote.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Sandals.

The Chair: The motion is lost.

PC motion on page 19.

Mr. Hudak: I move that section 8.6.1 of the Income Tax Act, as set out in section 1 of the bill, be amended by adding the following subsection:

“Additional refund equal to Ontario health premium

“(4.1) If an individual is entitled to an Ontario home electricity payment under this section and has paid an Ontario health premium for the 2005 taxation year under section 2.2, the amount of the individual’s Ontario home electricity payment for the 2005 taxation year shall be increased by the amount of the Ontario health premium paid by the individual for the taxation year.”

Again, I’m trying to create efficiencies here by using that envelope the government is sending out anyway to refund the so-called health tax to these individuals who qualify under this act. I think as members know, the PC caucus has calculated that some \$2,000 more per annum is coming out of the pockets of working families in Dalton McGuinty’s Ontario than they paid before Dalton McGuinty was elected. I enumerated some of those a short time ago. This will give some tax relief, at least for the 2005 taxation year, of both the health premium paid, if any, as well as the electricity payment.

The Chair: Comment? Hearing none—

Mr. Hudak: Recorded vote.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Sandals.

The Chair: The motion is lost.

1640

PC motion number 20.

Mr. Hudak: I move that subsection 8.6.1(6) of the Income Tax Act, as set out in section 1 of the bill, be amended by striking out clause (b) and substituting the following:

“(b) shall arrange for the payment to be made in accordance with the determination by way of a deduction shown on the individual’s electricity bill.”

A couple of concerns have been expressed by the opposition, both the New Democrats and the Progressive Conservatives, with respect to the mechanism the government is using. They are going to be spending who knows how many millions of dollars in a very political mechanism to rebate cheques in the mail.

There are a couple of options. In fact, in 2005, if I recall, the government rebated electricity consumers on their hydro bills. We received that because in 2004 consumers had overpaid their hydro prices, so we find it curious that a mechanism the government used as recently as a year or so ago has now been rejected.

Every year, hopefully, people will receive a refund—not everybody receives a refund, but there is a mechanism through Revenue Canada to refund income taxes or credits that you may have received that will result in some of your income taxes being refunded. This mechanism also exists through the income tax code to similarly bring benefits to the individuals the government wishes to target. Again, that mechanism was rejected. So we are creating a brand new mechanism at who knows

what cost to send out cheques that could be as little as \$10. I will ask the parliamentary assistant at this point if he could tell us how much money it is going to cost to send out a letter to somebody that contains only a \$10 cheque.

Mr. Arthurs: I can't tell you the exact cost, but this is an efficient way, in working through Canada Revenue and the work they do, as opposed to setting up a separate bureaucracy for this purpose.

Mr. Hudak: My point is, I think you are setting up a separate bureaucracy. There's already the tax bureaucracy, if you will, through Canada Revenue for refunding taxes that are overpaid or other rebates. Secondly, there is a mechanism that was used by the government only a year or so ago to rebate hydro bills because of overpayment. If this bill were truly related to hydro costs, that's the way you could do so: on the hydro bill itself.

Instead, I think what the government did—not my colleagues, I know, because they wouldn't think this way, but I suspect that Premier McGuinty and some of his backroom advisers said, "You know what? We didn't get credit last time around for these rebates. Either the local distribution company received credit or people didn't even notice the rebates coming through on their hydro bills. So, if we send out an envelope that has a bit of red colour on it, maybe they will think, 'Oh, Dalton McGuinty's giving me some money back,'" and therefore the government of the day will try to benefit and receive some goodwill from taxpayers for that. I think this is clearly a political mechanism as opposed to one that's truly interested in helping low-income individuals or saving the taxpayer money.

I'll ask the parliamentary assistant again if he can tell us what the entire exercise for rebating these hydro bills by this mechanism of letters is going to cost, and if he doesn't know today, will he endeavour to come back to the committee and report on the cost of the exercise?

Mr. Arthurs: I don't have that information today. I suspect that the ministry, as they continue to finalize their negotiations with the CRA, will have a number at a point in time as the work is undertaken. I don't know whether the question was raised at all with the finance minister during estimates; my recollection was, it may have been. I would anticipate, then, that the finance ministry and the finance minister would provide that information to the committee as requested.

Mr. Hudak: I just had faith that the hard-working parliamentary assistant would cut through all the red tape and bring that to the committee faster than the minister could. But he'll remind the minister, I know, that we have requested that information on the total costs of this particular exercise.

I'll leave it at that, but it does seem logical to me that if the government was truly interested in connecting these rebates to electricity use and in saving taxpayers money as opposed to a political exercise, then it would go through the hydro bill or the tax system as opposed to a fresh new cheque due sometime, coincidentally, one year before an election.

The Chair: Comment?

Mr. Hudak: A recorded vote, Chair.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Sandals.

The Chair: PC motion 21.

Interjections.

Mr. Hudak: Some people are smiling; some aren't.

I move that section 8.6.1 of the Income Tax Act, as set out in section 1 of the bill, be amended by adding the following subsection:

"Letter to be sent with payment

"(6.1) Every electricity bill on which a deduction is shown equal to an individual's Ontario home electricity payment shall be accompanied by a letter reading as follows:

"Hello. During the election campaign, I promised to freeze your taxes and your hydro rates in order to get elected. I had no intention of keeping those promises but really, really wanted to be Premier. The enclosed cheque is an attempt to make you forget about my broken promises and the fact that your hydro bill has gone up 55% since the election. When you use this little bit of money to pay a little part of your higher hydro bill, think fondly of me. Sincerely, Dalton McGuinty."

The Chair: I'm going to make a ruling on this particular motion. I've had the opportunity to review the proposed amendment and the relevant procedural authorities.

Beauchesne's Parliamentary Rules and Forms, sixth edition, states the following:

"565. A motion should be neither argumentative, nor in the style of a speech, nor contain unnecessary provisions or objectionable words."

And further:

"698(3) An amendment is out of order if it is offered at the wrong place in the bill, if it is tendered to the committee in a spirit of mockery or if it is vague or trifling."

I find that this motion fails both procedural tests, is lacking in serious purpose, and I must therefore rule it out of order.

Mr. Toby Barrett (Haldimand-Norfolk-Brant): On a point of order, Mr. Chair, or by way of discussion: I can appreciate the ruling—to inculcate something like this within the legislation.

I don't know whether a message like this could be forwarded to people by way of regulation, and that would be in the hands of the bureaucracy, if you will. But barring that, and sometimes we're guilty as legislators of seeing every problem or every issue—when you've got a hammer you see every problem as a nail.

I think it's so important. Perhaps we don't need this in the legislation, perhaps we don't need it in regulation but,

at minimum, it does fall into that area of consumer education or information. I can envision a brochure. We know there's a cost to send out these bills, anyway. We don't have the precise cost as yet but it would be value-added, something that could be inserted in the envelope for essentially the same price of a stamp.

The Chair: Mr. Arthurs?

Mr. Arthurs: Mr. Chair, I heard your comments with respect to the reason for your ruling and I think they're accurate and reflective of the process by which we function. We will be happy to move on to the next amendment.

The Chair: Mr. Hudak?

Mr. Hudak: I appreciate the Chair's ruling. I think members know this was mostly to raise a very important point. Bill 117 has at its heart a fundamental broken promise by the McGuinty government to freeze hydro rates. On top of that, they are undertaking a very political exercise to send out rebate cheques in the mail when other mechanisms exist to help out these individuals. So the Progressive Conservative caucus is making the point that, not only is this a broken promise, but the government is trying to paper it over by sending out rebate cheques and using taxpayer dollars for political purposes. Therefore, we thought this would be a nice way to equalize that. I appreciate it's been ruled out of order, but I do think it was an important point for us to make at committee.

The Chair: We'll move to a PC motion on page 22.

Mr. Hudak: I move that subsection 8.6.1(9) of the Income Tax Act, as set out in section 1 of the bill, be struck out and the following substituted:

"Time limit for payment

"(9) Despite subsection (6), the provincial minister shall not make an Ontario home electricity payment under this section in respect of a taxation year after December 31 of the second taxation after the taxation year, and no individual is entitled to receive a payment under this section after that date unless the individual's entitlement to the payment arose by reason of an assessment or reassessment made under this act before January 1 of the third taxation year after the taxation year."

1650

I know it's a bit convoluted language, but in its essence, this is a supportive motion to ensure that the act is not repealed until the taxation year 2009. Our earlier amendments to broaden the support to middle-income families and to increase the support to disabled individuals, seniors and the existing target of low-income individuals all failed. At the very least, we hope to extend the time frame to the taxation year of 2009 and work down the road to increase the level of payments.

The Chair: Comment?

Mr. Arthurs: The legislation's objective is to provide dollars to those who qualify within 2007 on a one-time basis by the end of 2007 and not later than, so we can't support extending it through to 2009.

The Chair: Comment? Hearing none—

Mr. Hudak: A recorded vote.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Sandals.

The Chair: The motion is lost.

We come to a PC motion on page 23.

Mr. Hudak: I move that subsection 8.6.1(12) of the Income Tax Act, as set out in section 1 of the bill, be amended by striking out clause (b) and substituting the following:

"(b) the assessment or reassessment referred to in subsection (11) is made after the deadline in that subsection for making the assessment or reassessment."

Similar to my previous motion, this relates to extending the act until after the taxation year of 2009.

The Chair: Comment? Hearing none—

Mr. Hudak: Recorded vote.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Sandals.

The Chair: The motion is lost.

Page 24, PC motion.

Mr. Hudak: I move that subsection 8.6.1(15) of the Income Tax Act, as set out in section 1 of the bill, be struck out and the following substituted:

"Bankruptcy

"(15) For the purposes of subsection (4), if an individual is bankrupt at any time in a taxation year to which this section applies,

"(a) the individual shall be deemed to have only one taxation year in the taxation year, beginning on January 1 and ending on December 31; and

"(b) the individual's income for that taxation year shall be deemed to be the total amount of the individual's income for the year."

It's a similar companion motion with respect to ensuring the act is not repealed until the taxation year 2009.

The Chair: Other comment? Hearing none—

Mr. Hudak: A recorded vote.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Sandals.

The Chair: The motion is lost.
PC motion on page 25.

Mr. Hudak: I move that subsection 8.6.1(17) of the Income Tax Act is struck out and the following substituted:

“Repeal

“(17) This section is repealed on January 1, 2012.”

This relates to our amendment not to repeal the act until after the taxation year 2009.

The Chair: Comment? Hearing none—

Mr. Hudak: A recorded vote.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Marsales, McNeely, Mitchell, Sandals.

The Chair: The motion is lost.

PC motion on page 26.

Mr. Hudak: I move that section 8.6.1 of the Income Tax Act, as set out in section 1 of the bill, be amended by adding the following subsection:

“Exception re repeal

“(18) Despite subsection (17), this section is not repealed until Dalton McGuinty starts keeping his energy promises.”

The Chair: I will make a ruling on this motion. Based on my review of the motion and the previous citations from Beauchesne, I find the motion is vague, trifling and out of order.

That completes section 1. Shall section 1 carry? All in favour? Opposed? Carried.

Any comment on section 2? Shall section 2 carry? All in favour? Opposed? Carried.

We'll move to section 3. There's a PC motion in your package on page 27.

Mr. Hudak: I move that section 3 of the bill be amended by striking out “Income Tax Amendment Act (Ontario Home Electricity Relief), 2006” and substituting “I Broke my Promise to Cap Hydro Rates Act (Little Relief to Offset Premier McGuinty's 55% Hydro Rate Hike and No Relief to Small Business), 2006”.

The Chair: I'm going to rule on this motion. Based on my review of the motion and the previous citations from Beauchesne, I find the motion is argumentative and trifling. I rule that the motion is out of order.

Mr. Barrett: On a point of discussion, Mr. Chair—

The Chair: Not on my ruling, no.

Mr. Barrett: No, but I think the sentiment here—and I commend Tim Hudak for the work that he's done—simply put, is that the McGuinty government has found a way to break a promise and revise a promise and then to break it again, all within a period of three years. I think that's reflected in this attempt to communicate that. I'm very concerned. In rural Ontario, we see increases in electricity, on average, of about 69% higher than in the city, and increases in urban Ontario are far beyond what anyone was expecting—

The Chair: Could you speak a little closer to the microphone there?

Mr. Barrett: —given the commitments that were made previously.

The Chair: Comment?

Mr. Hudak: Is this a debate on section 3, Chair? I won't jump in until you're ready to do that.

The Chair: I've ruled this out of order, but we could have discussion, yes.

Mr. Hudak: On section 3, while the motion has been ruled out of order, again, as my colleague Mr. Barrett indicated, it was important for us to make a point here at committee.

First of all, we find that the name of the act, as proposed under Bill 117—Income Tax Amendment Act (Ontario Home Electricity Relief), 2006—is an inaccurate description of this bill. I say that for a couple of reasons. First, this is actually not related to electricity in the least. There is no relationship between consumption of electricity and these rebates. It is entirely possible, we learned at committee on estimates last week, that people who are not electricity consumers will receive rebates; it's entirely possible under the way that this is structured. Secondly, as we've indicated, the mechanism is simply a political mechanism to win votes in advance of the election a year out. We'll see if something similar transpires in 2007 as we head to the polls in October of that year as well.

We brought forward a number of amendments that would have actually tied the rebate to electricity use. Those failed. We brought forward a number of amendments to at least broaden the rebate to classes such as middle-income families, those with more dependants, and to increase those rebates to individuals who are seniors or disabled. All of those also were voted down by the government. At the end of the day, families that have very modest incomes of, say, \$25,000 per year would receive \$100 in relief, maximum, which would not begin to pay for the higher hydro rates they have experienced under the McGuinty government. Therefore, we thought it important as a statement to bring forward a new title. I won't move any more amendments to the short title, but I did want to state for the record that we do not believe the title accurately reflects the intentions or the contents of the bill.

The Chair: Shall section 3 carry?

Mr. Hudak: A recorded vote.

Ayes

Arthurs, Marsales, McNeely, Mitchell, Sandals.

Nays

Barrett, Hudak.

The Chair: The section carries.

Shall the title of the bill carry? Carried.

Shall Bill 117 carry? Carried.

Shall I report the bill to the House? Carried.

Thank you. We are adjourned.

The committee adjourned at 1700.

CONTENTS

Monday 12 June 2006

Income Tax Amendment Act (Ontario Home Electricity Relief), 2006, Bill 117, <i>Mr. Duncan /</i> Loi de 2006 modifiant la Loi de l'impôt sur le revenu (aide au titre des factures d'électricité résidentielle de l'Ontario), projet de loi 117, <i>M. Duncan</i>.....	F-515
---	--------------

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F-15

F-15

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Official Report of Debates (Hansard)

Thursday 12 October 2006

Journal des débats (Hansard)

Jeudi 12 octobre 2006

Standing committee on finance and economic affairs

Mortgage Brokerages, Lenders
and Administrators Act, 2006

Comité permanent des finances et des affaires économiques

Loi de 2006 sur les maisons
de courtage d'hypothèques,
les prêteurs hypothécaires et
les administrateurs d'hypothèques

Chair: Pat Hoy
Clerk: Douglas Arnott

Président : Pat Hoy
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRS****COMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES**

Thursday 12 October 2006

Jeudi 12 octobre 2006

*The committee met at 0935 in room 151.***MORTGAGE BROKERAGES, LENDERS
AND ADMINISTRATORS ACT, 2006****LOI DE 2006 SUR LES MAISONS
DE COURTAGE D'HYPOTHÈQUES,
LES PRÊTEURS HYPOTHÉCAIRES ET
LES ADMINISTRATEURS
D'HYPOTHÈQUES**

Consideration of Bill 65, An Act respecting mortgage brokerages, lenders and administrators / Projet de loi 65, Loi concernant les maisons de courtage d'hypothèques, les prêteurs hypothécaires et les administrateurs d'hypothèques.

SUBCOMMITTEE REPORT

The Chair (Mr. Pat Hoy): The standing committee on finance and economic affairs will come to order. The first bit of business we should do is to have the report of the subcommittee read into the record.

Mr. Wayne Arthurs (Pickering–Ajax–Uxbridge): Mr. Chairman, your subcommittee met on Wednesday, October 4, 2006, to consider the method of proceeding on Bill 65, An Act respecting mortgage brokerages, lenders and administrators, and recommends the following:

1. That the committee hold public hearings in Toronto on Thursday, October 12, 2006.

2. That the committee clerk, with the authorization of the Chair, post information regarding Bill 65 on the Ontario parliamentary channel, the committee's website and in the Globe and Mail as soon as possible.

3. That interested people who wish to be considered to make an oral presentation contact the committee clerk by 12 noon on Wednesday, October 11, 2006.

4. That if necessary, the members of the subcommittee prioritize a list of requests to appear and return it to the committee clerk by 1:30 p.m. on Wednesday, October 11, 2006.

5. That a subcommittee member's failure to return a prioritized list by 1:30 p.m. on Wednesday, October 11, 2006, would indicate the member's intention to keep the list in its original priority.

6. That if all requests to appear can be scheduled the committee clerk can proceed to schedule all witnesses and no prioritized list would be required.

7. That all witnesses be offered 10 minutes for their presentation, and that witnesses be scheduled in 15-minute intervals to allow for questions from committee members if necessary.

8. That the deadline for written submissions be Thursday, October 12, 2006, at 5 p.m.

9. That for administrative purposes, proposed amendments should be filed with the committee clerk by 5 p.m. on Tuesday, October 17, 2006.

10. That the committee meet for the purpose of clause-by-clause consideration of Bill 65 on Thursday, October 19, 2006.

11. That the committee clerk, in consultation with the Chair, be authorized prior to the adoption of the report of the subcommittee, to commence making any preliminary arrangements necessary to facilitate the committee's proceedings.

Mr. Chairman, that's your subcommittee report.

The Chair: Mr. Hudak?

Mr. Tim Hudak (Erie–Lincoln): Thank you to the parliamentary assistant for reading that in. There had been some commitment by the Minister of Finance to bring forward draft regulations as part of this process. I don't know if it was expected for the first day of committee hearings, but given that we're coming back for clause-by-clause consideration on Thursday, October 19, I wonder if you could endeavour to bring forward some draft regulations for some of the key areas before that date for the committee.

Mr. Arthurs: I know that staff are working on some draft regulations. I don't think they would be comprehensive. I can't tell you right this minute. I'll have staff check—they are here—to see what the status might be and the availability of getting any of that material to us before clause-by-clause next week.

Mr. Hudak: I'd appreciate that, because this is largely a non-controversial piece of legislation and you know that the official opposition supports the bill. I think what we'll hear most from the groups coming before us today is some discussion of what those regulations could contain. It would certainly help our job as a committee if those regulations came forward as promptly as possible, and I appreciate the parliamentary assistant's efforts to do so.

The Chair: With that stated, all in favour of the subcommittee report? Carried.

CANADIAN INSTITUTE OF MORTGAGE BROKERS AND LENDERS

The Chair: We'll begin this morning's presentations. I would ask the Canadian Institute of Mortgage Brokers and Lenders to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I'd ask you to identify yourself for the purposes of our recording Hansard.

Mr. Jim Murphy: Thank you very much, Mr. Chair and members of the committee. Good morning. My name is Jim Murphy and I am the senior director of government relations and communications for the Canadian Institute of Mortgage Brokers and Lenders, or CIMBL, as we call ourselves, the acronym—at least for another month, before we change our name. CIMBL has over 9,400 members across Canada, with approximately 5,400, or nearly 60%, here in the province of Ontario. CIMBL represents all facets of the mortgage industry, including lenders, such as the banks and credit unions, mortgage insurers, title insurers, and mortgage brokers and agents.

Research CIMBL has undertaken, some of which you have in your packages, showed that at the end of 2005 there was roughly \$660 billion in outstanding mortgage credit across the country. Roughly half that total is in the province of Ontario. This total is expected to grow by a further 10% by the end of this year, so we'll have a total of \$725 billion. In short, our industry helps Canadians and Ontarians meet their dream of home ownership.

CIMBL has also established an accredited mortgage professional, or AMP, designation as part of our ongoing commitment to increase the level of professionalism in Canada's mortgage industry through the development of educational, mortgage and ethical standards. I'm proud to say that over 3,000 of our 9,000 members have their AMP designation.

CIMBL also developed best practices for fraud avoidance a couple of years ago, a copy of which is in your packages, and also has a strong ethics process that we undertake in terms of our members to ensure that integrity is maintained within the mortgage industry.

0940

The tremendous growth of our industry is reflected in the tabling of new legislation that will govern our industry, and that is currently before you today: Bill 65. This is the first major rewrite of the legislation in some time, since the late 1960s, and reflects the tremendous growth of the mortgage industry that we've seen in Ontario and across the country. The overall intent of the legislation, as stated by the government, and one CIMBL supports, is to increase professionalism in the industry by raising the bar on several important standards, such as disclosure and education.

As is often said, however, the devil is always in the details. While we have been working with the Ministry of Finance and the government and the Financial Services Commission of Ontario, which is our regulator, we have

not yet seen the final set of regulations that will accompany the legislation.

Let me review for you some of the important issues and CIMBL's positions, some of which you'll hear about this morning from other presenters.

First and foremost, Bill 65 creates a tiered registration model for mortgage professionals. Mortgage brokers, mortgage agents, mortgage administrators and also principal brokers will have to be licensed with FSCO, which is the regulator of the mortgage brokerage and agent industry in the province, and meet eligibility requirements, including minimum education standards.

Included in our package are copies of correspondence that we've had with the government over the last couple of years on this issue. I should briefly pause here and commend the government for the process it followed. Mr. Colle, who's currently the Minister of Immigration, began the process as the parliamentary assistant to the Minister of Finance, a very open and transparent process, with stakeholders involved. There were draft copies of legislation tabled for stakeholders to discuss. It was a very good public process.

Our letter dated May 29, to the current Minister of Finance, Minister Sorbara, is also in your package. Let me just go through some of these points:

CIMBL supports mandatory errors and omission insurance for all brokerage firms in the province, that they should be covered in order to practise and receive a licence.

CIMBL supports minimum capital requirements for both mortgage administrators and brokerage firms in the province in order to practise.

CIMBL supports disclosure, including enhanced disclosure of mortgage professionals' incentives and commissions. Earlier this year, CIMBL established a task force to capture these types of remuneration, and a copy of the form we developed is included in your package. We're quite proud of this. We've gone above and beyond the normal statement of mortgage so that consumers and borrowers will have an understanding of how their mortgage professional is paid, what conflict-of-interest situations may arise. A number of these issues under disclosure will be dealt with by regulation, but we think it's important, to meet the intent of the legislation in terms of professionalism and raising the bar, that this issue be dealt with. You'll be interested to know that Alberta, on October 1, a week or so ago, became the first province to mandate enhanced disclosure, which we are promoting and which I think the government is also committed to seeing.

CIMBL believes the legislation should allow for a simple referral in which the name of a business, an individual, or somebody on a business card can be passed to mortgage professionals without the referral source being licensed. This is the subject of much discussion you'll hear about this morning. CIMBL believes that if an individual is undertaking a credit check, however, filling out a mortgage application, gathering any financial information or providing mortgage advice, they are

engaging in mortgage activity and should be licensed. The intent of this legislation is to raise the bar and increase professionalism. I think one of the things this legislation does is end the deeming provision, for example, for real estate brokers, that they no longer automatically can undertake mortgage brokering activities. So I don't think we want to see loopholes created. We want to see things tightened so that the overall standards and quality can be increased.

Likewise, for legal services, CIMBL believes that if lawyers are engaged in mortgage activity, which we've defined above in terms of filling out applications or providing mortgage options, credit checks, then lawyers should also be licensed.

Finally, let me address education standards. The specifics of education standards will be determined by the regulations, but they are very important and the failure to get them right could undermine the success of the initiative. Again, CIMBL supports higher standards for education. A draft education paper was released by the Ministry of Finance and FSCO at the end of August, I believe. CIMBL believes the options should be strengthened beyond what is in that paper.

The whole purpose of the legislation is to create high standards that the public and the board can rely on. Standards rest on the foundation of professional education. To create an effective education program, it is our belief there must be a common curriculum, a common set of learning materials and a common exam. Within that framework, there could be multiple deliverers of training, but only if they are teaching the same materials from the same text, culminating in the same exam. Consistency in content is vital if the government is to meet its objectives of raising standards, improving quality and enhancing consumer protection. Indeed, CIMBL believes that a common education standard should be implemented across Canada.

Our request would be that when the government and FSCO finalize the regulations, including educational requirements, minimum standards and quality be not only maintained but indeed enhanced. We look forward to working with the ministry, with FSCO and the committee to ensure that this happens.

Thank you for your time this morning. I would be pleased to answer any questions that you may have.

The Chair: Thank you for your presentation. We'll begin this round of questions with the official opposition. You have up to five minutes.

Mr. Hudak: Mr. Murphy, great to see you again. Thank you very much for attending.

The first and most important question of course is, should the short title of the act be changed to the Arthur Lofsky Act or the Jim Murphy Act?

Mr. Murphy: I don't know about the second one, but we'll have to see the government amendments on the first one. We would support that, by the way.

Mr. Hudak: CIMBL has been excellent at getting members of the assembly information on the act and CIMBL's other activities. It's good seeing you again.

You've obviously made your points very clear in the run-up to the bill as well as here at the second reading committee hearings.

With respect to the main point we'll be discussing—and hopefully we'll see some draft regulations in a short time—on simple referrals, what is wrong with simply filling out an application as a simple referral? You said that simply passing on a business card should count. But what's wrong with an application or gathering financial information?

Mr. Murphy: I think it comes back to standards, back to quality, raising the bar. We want to make sure that people who are providing mortgage advice, undertaking mortgage activity, have the proper education, the background. This is the most important investment somebody is going to make in their life, and the person sitting across the table from them should have the expertise and the knowledge to provide them with the best advice.

All the major provinces—British Columbia, Alberta, Ontario and Quebec—have the concept of a simple referral, that if you pass a name along to a mortgage professional, if you're a financial planner, if you're an insurance representative, that's allowed. Once you go beyond that, in terms of credit checks, in terms of filling out applications, in terms of providing mortgage options, in terms of even financial information, we think that's moving beyond, that that in fact is mortgage activity. People should be licensed for that. People should take background education courses on that to understand the implications of all those things. We just don't think that people necessarily are qualified to provide that advice. It's a very slippery slope. We don't want to create loopholes in legislation that allow people to make a living without being licensed. There's no audit function, there's no ability for FSCO to check records and all those sorts of things, because people wouldn't have to be licensed.

Mr. Hudak: Do you think that clarity exists currently in the bill, or do we need greater clarity?

Mr. Murphy: The bill does speak to it, in some form. But as you indicated earlier, some of that will obviously also come out in the regulations, in terms of what exactly would be allowed and what would constitute activity, what would constitute somebody having to be licensed.

Mr. Hudak: Absolutely. Again, I appreciate the endeavours of the parliamentary assistant to try to get us that information before committee is closed.

You made some excellent points about the common curriculum and maintaining high standards in the education. The ministry had the draft paper out. You want to see that strengthened. You give some examples of how it could be strengthened. How do you think that common curriculum, that common set of training materials, should be put together?

Mr. Murphy: We're working with the ministry and FSCO on that. There are a number of options they've presented. We think the recommended option is not the best. We've voiced that to the regulator at this point. We don't have a problem with multiple deliveries of the system. But if you want to raise the standards, there should

be some sort of common knowledge. There should be a common set of materials that people are tested on. You don't want to have one deliverer out there talking about one set of standards and interpreting something one way, and then somebody else interpreting it another way. You're going to end up with a lot of different courses and different materials that may or may not be appropriate. We think that there should be common elements, common materials, common exams so that when somebody's dealing with a mortgage professional, they know they have the common background. We think that's exceedingly important.

Mr. Hudak: Chairman, am I okay for time?

The Chair: You have 30 seconds.

Mr. Hudak: Consumer protection is obviously a very important theme in this legislation. You talk about how CIMBL has brought forward stronger elements on disclosure. Any further comments on how this bill can strengthen consumer protection through disclosure?

Mr. Murphy: We support enhanced disclosure. We've made that known to the government, to the regulator. We think we can be a leader in that. Other industries, like insurance, are looking at this: How is your mortgage professional remunerated? When you go to get a mortgage, how are they paid? Who pays them? What are conflict-of-interest situations that they may have? These are all things that the consumer should know, should be aware of, that may influence the decision or the recommendation that's being made to them.

As part of our efforts to raise the bar in terms of professionalism and enhanced standards and quality, we think that's a good thing. We've developed the form. We're glad to see that Alberta was the first province to do that. We hope Ontario follows suit on that in terms of making those requirements. I think a vast majority of people practising in the field today would have no problem with disclosing.

Mr. Hudak: Thank you.

The Chair: Thank you for your presentation.

0950

INDEPENDENT MORTGAGE BROKERS ASSOCIATION OF ONTARIO

The Chair: I would call on the Independent Mortgage Brokers Association of Ontario to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Jeff Atlin: Thank you. Mr. Chairman, honoured members, guests, fellow presenters, I'm Jeff Atlin and I'm a director and the government relations chair of the Independent Mortgage Brokers Association of Ontario, IMBA, as we call ourselves. My associate is Mal Eccles, our director and chair of education.

The Independent Mortgage Brokers Association of Ontario represents solely the interests of mortgage brokers and agents, although we do have associate mem-

bers from those other categories such as insurers, lenders etc. Our membership has grown from 65 people six years ago to 1,200 presently and is continuing to grow at that rate. Mal and I are probably the only two active mortgage brokers in the room.

IMBA would like to congratulate the government on the introduction of Bill 65, which the industry has been anxiously anticipating, a legislative overhaul long overdue. I must say that the bill has been well received by the industry in general. We also want to thank the Minister of Finance and FSCO for their consultative approach, both to the legislation and the forthcoming regulations. We thank you for inviting us to be part of the consultation process to date and look forward to continuing discussions on the regulations.

In reviewing Bill 65, we've noted a few areas on which we would like to provide some comment and input. Like my friend from CIMBL, I preface my comments by saying that some and probably all of the things we're going to talk about will likely be further addressed in the regulations.

The first matter is the actual definition of a mortgage broker. Like our friends at CIMBL, we would like to see the bar raised, and the way to do that is to allow the fewest loopholes possible as to who can participate in the business of mortgage brokering. Make the definition as tight as possible. If it walks like a duck and quacks like a duck, it's a duck. If you arrange a mortgage for somebody, if you refer somebody for a mortgage, then you're acting as a mortgage broker—we'll get into referrals in a minute. Then you can define your specific exemptions: if it's a bank, a financial institution, the employee of a financial institution acting for that financial institution or a private investor acting through a mortgage broker. Define your five, six or seven specific definitions. Otherwise, if you touch a mortgage, you're a mortgage broker. It makes it very simple when you want to enforce.

Secondly, a matter that's glossed over in the act is the matter of mortgage syndication. Many of you may recall a couple of years ago, in March and April 2005, when the securities commission was looking at the harmonized legislation. At that point in time, mortgage syndication was going to be included in the harmonized legislation, but due to presentations from ourselves, CIMBL, OREA and others, it was removed.

The business of mortgage syndication in Ontario is a major activity, and its activity should be specifically recognized in this bill. In our opinion, it would be a grievous error not to take this opportunity to actually incorporate it into Bill 65 and to have formal ownership of this mortgage product, which is vital to the Ontario economy, included under the act.

We're quite concerned about the loose concept of simple referrals that seems to have been promoted to date. We believe that the permission of compensation for referrals, without some strict definitions and limitations, will invite abuse. It will in fact create another loophole for those who wish to circumvent the act.

I can assure you that if I'm paying somebody \$100 for a referral, I'm getting a name, a phone number and an address. If I am paying somebody \$5,000 for a referral, he's quite likely providing far more than a name, address and phone number, although nobody would ever say that that's what he's doing. For that matter, it would also expose consumers to either an uneducated or under-educated individual providing them with advice on what is likely the largest investment of their life. We strongly suggest that a simple referral be capped monetarily to a nominal amount. This can be done under either the act or the regulations, but it needs to be considered.

We have suggested in earlier correspondence and presentations a quantum formula for that, which is in our written presentation. Further, to better control referrals, both the receipt of a referral payment and a payment of a referral payment that would exceed whatever the limitation is should be made illegal if it's not paid to a registered mortgage brokerage.

If the committee should agree that this belongs in the regulations, as opposed to the act, where it very well may, we ask that when they approve this legislation or go through this legislation next week on a line-by-line basis, they give direction to the framers of the regulations to incorporate these kinds of limitations in the regulations.

We also strongly support the requirement for mandatory errors and omissions insurance in the proposed draft regulations to Bill 65. This will greatly add to the professionalism and consumer protection in the industry. In that same regulation is a requirement for fraud coverage, and both we and our insurers—and I think, if you speak to CIMBL, you'll find out that they have received the same information—feel that the requirement for fraud insurance as it stands now would put at risk the actual ability to keep our errors and omissions policy, which is the key part of the requirement. The requirement for fraud coverage should either be dropped or at least narrowly defined to the point where the insurers can live with it and it won't put errors and omissions at risk.

Another concern to us is the undefined nature of lawyer exemptions under the bill. Their proposed exemption should be defined and strictly limited to providing the legal services of giving advice around an existing or proposed mortgage, or the legal services in the preparation, signing and registration thereof. Any arranging of a mortgage should be considered mortgage brokering and require registration under the act as a broker or an agent. Educational requirements and/or exemptions, if any, would be dealt with in the pending education regulations currently under consultation and formation.

IMBA feels that the omission of a branch management system in the tiered licensing requirements is an oversight that should be dealt with, probably in the regulations again. We do not feel that it is possible to manage agents and offices over great distances and still ensure proper supervision and consumer protection.

We've attached to our submission the RECO registrar's bulletin, with their views on branch management, which seem to work well. Again, we would request that

the committee give direction to the framers of the regulations when they review this bill, if it doesn't belong in the bill itself.

We have previously stated on numerous occasions that employees of banks, trust companies and other financial institutions must comply with the legislation if they deal or trade in mortgage financing for other than their employers' own account. If they're providing a mortgage to another institution, it's not being funded by their institution, they're a mortgage broker. They do not necessarily have access to all the mortgage lenders in the marketplace, only those few that their institution has made some arrangement with. They are all particularly ill-informed on the private money marketplace. This will likely result in the consumer obtaining a slanted and incomplete understanding of what may be available to them.

From the consumer's point of view, however, they're talking to a bank or financial institution mortgage expert and giving them the trust that they would the institution itself. The bill or the regulations must clearly and unambiguously ensure that a financial institution representative providing a mortgage from anyone other than their own institution is appropriately registered under the act and complies with the requirements of the act.

Time? How are we doing?

The Chair: You have about two minutes left.

1000

Mr. Atlin: Okay. Very quickly then, I'll touch on two other things. One is the minimum capital requirement, which we believe is unnecessary in the operation of a mortgage brokerage. There may be some consideration given to it when you're doing administration, because then you're handling other people's money, but in a straight brokerage operation, there's no need for a capital requirement. You're not providing funds; you're not promising anybody your own funds; there's nothing to back up.

Lastly, education, which I didn't comment on earlier because it's a matter for the regulations. But like our friends at CIMBL, we feel the bar needs to be raised to the very top we can there. Unlike CIMBL, however, we don't think that a single curriculum is necessary. You can have multiple providers, multiple curricula, as long as they meet the learning outcomes that are set by FSCO, the regulator. The proof will be in the laundry. If our course isn't providing the proper information for somebody to pass the exams, people won't take it. They'll stop taking it and go to where they can be successful.

Where we do agree is on a unified exam for mortgage brokers, not necessarily agents. Once you get to the broker level, there should be a province-wide exam. That will test whether my curriculum or somebody else's curriculum is providing the same depth of information. If they can pass the exam from either of us, they're getting the right information. If they can't, one of us is going to fail.

I'd like to thank the committee for allowing us the time to appear here today, and again congratulate the

government, the Ministry of Finance and FSCO on the introduction and the depth of this much-needed legislation. Myself and Mal are obviously available for questions now and will be available after the closing of the session today if anybody wants to speak to us. Of course, we'd be happy to meet with you in your offices or constituency offices, if appropriate, if you have any other concerns with this legislation or the mortgage industry in general. Thank you very much.

The Chair: This round of questioning will go to the NDP.

Mr. Michael Prue (Beaches—East York): You said that mortgage syndication has been largely overlooked, and you used pretty strong words to say that it's "a grievous error." How exactly would you include this in the bill?

Mr. Atlin: It seems to be an orphan right now. It was going to go into the harmonized legislation under the securities commission; however, a mortgage is a mortgage. Whether three people own the mortgage or one person owns the mortgage, it's still a mortgage. For the borrower, it's exactly the same product. The only difference is in the administration and disclosure. You're disclosing to three people instead of one. You may be collecting money and therefore have to register as administrator, but it's a mortgage product.

We figured, when we went before the securities commission—I don't have the numbers with me; I apologize—somewhere between \$4 billion and \$6 billion a year is done in Ontario in mortgage syndication. That's a big economic driver for people who can't get money from a bank. Why would we give up ownership of that as a mortgage product, when it can be regulated as easily as any of the other mortgage products that we're regulating, and leave it out there as an orphan product? Does that answer your question?

Mr. Prue: I think so, but how would you include it?

Mr. Atlin: Just specifically include—

Mr. Prue: A definition?

Mr. Atlin: —a definition of "mortgage syndication." If you're syndicating mortgages, you have to be registered as a general mortgage broker. The disclosure requirements can refer to the same requirements as for a mortgage, except ensuring that you've disclosed all entities and that there's an operating mortgage syndication agreement among the participants, the owners of the mortgage, in place.

Mr. Prue: That's my first question. The second one is the amount of money that someone would get for a simple referral. It seems to me a lawyer hands someone a brokerage member's card and, according to what you say, you're suggesting one tenth of 1% of the value of the mortgage. If somebody buys a \$500,000 home or has a \$500,000 mortgage, you hand over a card and you say, "That will be \$500, please." It seems to me to be an awful lot to pay, because it will all come back to the consumer in the end.

If you're looking for a lawyer, as an example, you can phone the law society and, free of charge, they'll give

you the names of 10 or 15 lawyers who specialize in that particular field, and then you can go out and search your own. Why would anybody want to pay this? Why would you allow this to be paid?

Mr. Atlin: In many situations, those referrals are coming out of the finders' fees that are being paid by the institution so, in essence, they're built into the transaction whether they're paid or not; however, there are situations where they're not. That formula is a sample formula, just an example of a way to calculate it. You can limit it by absolute dollar amount if you want to; we suggested that.

We understand the concerns of some of our associates, whom you'll be hearing from shortly, about having a network of agents out there who don't necessarily deal in mortgages but refer to their mortgage people, and they want to compensate them for that. So where's the fairness in that compensation level, whatever they want to do internally, so that the person gets some kind of fair compensation for that referral, and paying them so much that you would expect it to be more than a simple referral? So we came up with that formula as a sort of compromise, a middle ground. If you want to tighten it up more, you can say \$100. From our point of view, the tighter it is, the better. The real estate industry doesn't allow referrals. I should mention that it isn't just coin of the realm; it's also in-kind compensation that we're referring to.

Mr. Prue: It seems to me that it would work the other way mostly; the mortgage broker who wants the business would go out and say, "Refer them to me." Some of the mortgage brokers I know go out to the insurance companies, to the lawyers and the real estate agents and say, "Refer people looking for a mortgage to me." Then they usually compensate those people, rather than having—

Mr. Atlin: That's fine under what we're suggesting. But we're saying limit that amount. Because if I give you a cheque for \$1,000 for the referral, I'm obviously expecting a lot more than a name, address and phone number. I'm expecting to take an application, get the employment letter, whatever. If I'm giving you \$100 or \$200 or \$300, I'm probably not; that's a cost of my doing business, if that's the way I want to source my business.

We're suggesting that what's important here isn't the actual numbers we've put in there—the regulations can come up with their own restrictive numbers under the guidance of this committee—but that that kind of restriction be put in place so it doesn't get out of hand.

Mr. Prue: Would it not be better, though, if your organization or other organizations like CIMBL had a list like the law society, where people would call you and you would simply tell them the names—

Mr. Atlin: We do.

Mr. Prue: —as opposed to building in \$100, \$500, one tenth of 1%, baksheesh, underneath the table, whatever one wants to call it? It seems to me that the consumer is not being protected by your organization unless your organization does this.

Mr. Atlin: We do have that referral source, but not everybody uses it. People go to somebody they trust. That may be their lawyer; that may be their insurance agent; that may be a mortgage broker they've had a long-term relationship with; an accountant; or another intermediary. The practice of this kind of referral happens, and the payment of those fees happens. If you just outlaw it altogether, in our opinion, it's going to happen underground. It's going to happen. You can't just put your head in the sand and ignore it.

On the other hand, if you can limit it and control it—there are people out there today making a very, very good living on referrals, who are getting around the act by not registering, because they can just call themselves a referral source. That's what we're trying to close.

The Chair: Thank you for your presentation.

Mr. Hudak: Chair, if I could, a quick question to legal counsel. Mr. Atlin had attached part of the branch managers aspect of his proposals to the bill, which I think talks about the original Real Estate and Business Brokers Act. The new one comes into effect or has come into effect this year. I'm just curious as to how branch managers are treated under the newest version of the Real Estate and Business Brokers Act. I don't expect you to know it off the top of your head, obviously. If I can just get it back to committee—and you're Hansard, I know.

I believe Mr. Atlin has the old version of the act. There is a revision of the act that has come forward. I just want to see how it's treated in the new act.

The Chair: I'm advised that if you ask legislative research to look for that for you, they would entertain that. This is Hansard here.

Mr. Hudak: It would probably be best if it's through research or legal, the point being that Mr. Atlin has suggested that we use the branch manager concept as part of this bill for mortgage brokers, based on what exists for real estate brokers. The new legislation has come into effect this year, so I'm asking how branch managers are treated under the newest version of REBBA for real estate agents, to see if that would be something we could cut and paste into this legislation.

The Chair: All right, then. Legislative research has advised that they will coordinate with legal counsel on this issue.

Mr. Hudak: Terrific; thank you.

The Chair: Very good. We'll move on.

1010

PRIMERICA FINANCIAL SERVICES
CANADIAN LIFE AND HEALTH
INSURANCE ASSOCIATION

The Chair: Our next presentation is Primerica Financial Services Ltd. and the Canadian Life and Health Insurance Association. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Peter Goldthorpe: Thank you and good morning. I'm Peter Goldthorpe, director of marketplace regulation issues for the Canadian Life and Health Insurance Association. With me is Hande Bilhan, senior vice-president of Primerica Financial Services. Primerica is one of our member companies. We appreciate this opportunity to appear before the committee as it considers Bill 65.

At the outset, I'd like to note that Canada's life insurance industry is strongly committed to high standards for consumer protection. In particular, we view licensing and proficiency standards of the sort introduced in Bill 65 as important components of effective consumer protection.

CLHIA is a voluntary, non-profit organization that represents life and health insurance companies in Canada. The industry's products include life insurance, disability insurance, supplementary health insurance, annuities, RRSPs and pensions. These products provide protection for nearly 10 million Ontarians. Last year, people living in Ontario received just over \$23 billion in life and health insurance benefits.

The interest that the life insurance industry has in Bill 65 is confined to the issue of referrals, so our remarks today will focus on that issue.

As you know, Bill 65 proposes that persons making referrals be exempted from licensing requirements that apply to persons dealing in mortgages. We believe this is an important exemption that should be retained in the legislation.

The bill also provides for regulation to prescribe the type of information that can be included in a simple referral. We know that the drafting of regulations is a separate process, but since regulations can, if you will, add flesh to the bones of the legislation, my colleague Hande will briefly describe our proposal for how simple referrals should be defined.

With respect to the importance of simple referrals, this is a highly effective means of making consumers aware of the services of mortgage brokers and agents when consumers need these services. The problem with most awareness campaigns is that they reach people when they are not particularly interested and thus not inclined to pay attention or remember the information. Referrals are efficient and effective because they typically occur when the prospective customer needs the service of the mortgage broker or agent.

Our industry has a particular interest in referrals to mortgage brokers and agents because life insurance agents frequently are meeting with clients when they are planning significant changes in their lives. These changes include marriage, the coming birth of a child, increased wealth from a new job or inheritance, and the purchase of a house. Frequently, one of those leads to the next. So it is not uncommon for a life insurance agent to be meeting with a client at about the same time that the client is thinking about buying a house. When a life insurance agent learns that his client is planning to buy a house, it is only natural to suggest referring the client to a mortgage

broker or agent for advice and recommendations about that specific service.

The issue of a cap on referral fees has been raised. The life insurance industry would be strongly opposed to the government regulating fees in this area. If a person making a referral is complying with all the other rules and conditions for the referral—and Hande will be speaking about that momentarily—then I would respectfully submit that there are no public policy issues remaining with a referral. The consumer protection concerns have been addressed by the other rules that Hande will be talking about.

I'll turn it over to Hande to talk about the conditions that attach to simple referrals and how we believe that process should unfold.

Ms. Hande Bilhan: Thank you and good morning. Life insurance agents who are referring their clients to a mortgage broker or agent would like to have the flexibility to pass along some basic financial information about their client. Including this information enhances the introduction of a client from one financial services professional to another. You can, if you like, think of it as providing a snapshot of the client, where that snapshot is a very basic financial description obtained generally as a result of another regulated financial services activity.

To alleviate any concerns regarding personal and financial information being passed from one person to another, we're suggesting that simple referrals that include basic financial information should satisfy several conditions.

First, the information would only be forwarded with the clear consent of the client. He or she should at all times know what information is being passed along about them and why.

Second, the agent should disclose that a fee may be paid for the referral and whether any conflicts of interest are involved in the referral. I might add that life insurance agents in Ontario already would be required to make this disclosure under current regulations.

Third, the agent should clearly explain to the client that the referral does not constitute advice or a recommendation about a mortgage product.

I also want to clarify exactly what is included in the information we are proposing be included in a simple referral. It is basic information that the life agent has already collected for other purposes, such as preparing a financial plan for their client or analyzing their life insurance needs. This information in itself is not sufficient to analyze needs related to mortgages and give advice or recommendations about mortgages.

The basic financial snapshot that we are proposing thus does not present a public policy concern. The mortgage agent or broker would still need to collect more detailed information about a variety of matters before he or she could analyze the information and give advice or make recommendations about the mortgage. In other words, all the consumer safeguards that Bill 65 will provide through the licensing of mortgage agents and

brokers would remain in effect with our proposal. We view these safeguards as very important.

We have attached a chart to our prepared remarks that illustrates this point. You can see that attached to the remarks that you've received. This simply allows the life agent to introduce his or her client, as I said, from one financial services professional to another in a meaningful manner.

In conclusion, we believe that the ability to make simple referrals offers a valuable service to prospective mortgage customers. We also believe that allowing financial services professionals to include basic financial information in the referral is a convenience to the client, enhances the referral, and does not present a risk.

We would be happy to answer any questions you might have at this time.

The Chair: Thank you. We'll move to the government on this rotation.

Mr. Arthurs: Thank you for the presentation this morning. The issues that you're presenting in the context of a simple referral move into some degree of financial information about the client. That seems to be a clear difference in your presentation from the earlier presentations. Those earlier presentations indicated that simple referrals should be, for all practical purposes, the name, address, phone number, and e-mail in today's world, without any financial implications whatsoever. I think what I heard earlier, if I can paraphrase, is that including financial information is a foot in the door to expanding the capacity to provide information about the referral. How would you respond to that?

Mr. Goldthorpe: With respect, I don't see it as a foot in the door and I haven't seen any convincing arguments to suggest that it is a foot in the door, and this matter has been discussed extensively in the consultations that led up to the introduction of Bill 65.

What we're proposing be included is information that the life insurance agent has already collected for other purposes. You can see in the chart that it's very basic gross totals. That information by itself cannot in any conceivable fashion support a credit check or advice or recommendations about mortgages. It would be impossible to give responsible advice or recommendations about mortgages with the information that we're proposing be forwarded as part of a simple referral.

Mr. Arthurs: You're quite clear in the presentation on two or three matters, and I commend you both for articulating them: first, that information would only be forwarded with the consent of the client; second, that the agent should disclose that a fee may be paid on the referral; third, that the agent should clearly explain to the client that it does not constitute advice or recommendations about a mortgage. I think those are good inclusions, irrespective of the outcome of other things that we include. That type of information, that type of disclosure, is to the benefit of those who might be looking for mortgages, mortgage advice or a simple referral process.

You made reference to the issue of capping the referral fee. I think you said that the industry would be opposed to capping on the referral fee.

1020

Mr. Goldthorpe: That's correct.

Mr. Arthurs: Expand on that a little bit for me. I didn't catch it all the first time. I'm good on refreshers.

Mr. Goldthorpe: The reason people propose caps, or at least one of the reasons people propose caps, is the notion that compensation above a certain level gives rise to conflicts of interest and may unduly influence the advice or recommendations that an individual is making.

Our view with respect to simple referrals is that if you follow the rest of the procedures and you comply with the restrictions that are in place and you are not giving advice or are not making recommendations, then there's no public policy interest left over that could be addressed by a cap on the referral fee. So if you're in compliance with the rest of those conditions and rules, then the safeguards are already in place and the cap is unnecessary.

Mr. Arthurs: You said "the agent should disclose that a fee may be paid for the referral." Should that disclosure include the value of that fee?

Mr. Goldthorpe: I'm not sure if, in every situation, a life insurance agent who is making a referral would know what the fee is at the time they're making the referral. They can certainly talk about the fact that they will receive a fee and possibly how that fee might be calculated, but they may not know the specific dollar amount. I don't think it would be practical to ask them to disclose the specific dollar amount.

The Chair: Thank you for your presentation.

ONTARIO BAR ASSOCIATION

The Chair: Our next presenter is the Ontario Bar Association. Please come forward. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Steven Pearlstein: Good morning. My name is Steven Pearlstein. I'm here representing the Ontario Bar Association. I intend to be quite brief, hopefully.

My thrust will be on the exemption for lawyers. The basic presentation is that if you focus on this bill, it's our principle that this is consumer protection legislation. The thrust of this bill is to protect the consumer, not to micro-manage the industry. The basic thrust is a valid one, that you want to regulate individuals in society who are providing these services from taking advantage of the consumer. In order to do that, you have to draft the definition of the services being provided in a broad manner: dealing in mortgages, trading in mortgages, negotiating and arranging mortgages. All of those we support.

But as a result of those broad definitions in order to protect the consumer, you incorporate certain services that are already being provided, and it's not in the public's best interests to prevent those services, the key

one here being broad and full access to lawyers and legal advice. In the ordinary course of practising law, lawyers regularly and in proper cases are providing these kinds of services.

A good example would be that you own your home and your mortgage comes up for renewal and you decide you're going to get a new mortgage. You go to your bank. The banker says, "Here are the terms under which we'll provide you with the mortgage." You may not want to hire a mortgage broker and pay them a fee, but you have a family lawyer. It's very, very common to get a phone call from a client to say, "Is this the kind of proposal I should take? Should I seek advice from somebody else? Are there other sources of mortgage lending at this particular time?" Because, just like any other circumstance, it changes over time. "Should I put clauses in that are different? Is it normal to ask for an early prepayment clause?" or any other arrangement or negotiation.

In the public interest, we would submit that the public should be allowed and continue to be allowed to seek this kind of advice from their lawyer. It's not in the government's interest to regulate or restrict the broad access to legal advice, so there should be an exemption for lawyers. In fact, there needs to be an exemption for lawyers in the public interest.

But if you then say, "Are we then putting the consumer at risk?"—because the goal here would be to have the party advising, negotiating and arranging be somewhat regulated, have educational requirements, insurance requirements and a complaints process. If you compare everything that's been proposed for mortgage lenders under this or any other piece of legislation I've seen to the ongoing and long-term regulation of lawyers, it's our clear finding that they actually exceed or equal those requirements. Lawyers have training in contracts, negotiations and ethical obligations. Lawyers are heavily regulated by the law society: They're audited, the public has a compensation fund, lawyers are required to maintain errors and omissions insurance of \$1 million each, there's a complaint process if the consumer is unhappy, and there's a regulation that if lawyers are not following the rules, they can be disbarred or otherwise sanctioned. So the consumer is fully protected. There's no need to have these exclude the free and open, fullest advice of consumers seeking advice from their lawyers.

That's essentially the presentation.

The Chair: Thank you very much. This rotation goes to the official opposition.

Mr. Hudak: Mr. Pearlstein, it's good seeing you again. Thanks very much for coming forward with a presentation.

An exemption for lawyers under all circumstances of the bill? There are no parameters around—it sounds like you're asking for a very broad-based exemption.

Mr. Pearlstein: The actual proposal recognizes, and the Ontario Bar Association is very clear, that we are not advocating that the fact that you're a lawyer would allow you to simply conduct business as a mortgage broker itself. So the exempt services are related or arising out of

your retainer as a lawyer. You have to be providing legal services.

The wording is being negotiated with the ministry; it's heavily negotiated. The government has proposed that it be contained in regulations; our original proposal was that it be contained in the act. But there are negotiations and compromise going on here. All of the lawyer organizations that I'm aware of are clear that the exemption will not permit a lawyer to carry on the business of a mortgage broker simply by the fact that they're a lawyer. The exemption will relate to their legal services.

Mr. Hudak: To be specific, then, some advice around, as you mentioned, clauses that would exist in a mortgage contract?

Mr. Pearlstein: Well, it could be any mortgage advice within the wording in the act. The act proposes to regulate dealing in mortgages, trading in mortgages and those kinds of activities. So for anything related to that, which a lawyer is doing for their clients, they would be exempt. If they simply opened a mortgage brokerage store, of course they wouldn't be exempt. The bar association supports that regulation, and as I understand it, the ministry proposal would conform to that arrangement.

Mr. Hudak: So the bar association feels it's relatively straightforward to define where that line exists, then.

Mr. Pearlstein: We had some proposed wording that was not accepted by the government. We understand there are other parties making proposed wording suggestions, so I don't think it's straightforward. But I believe the concept is straightforward.

Mr. Hudak: Do you feel confident that the eventual language will be worked out to your satisfaction?

Mr. Pearlstein: We're very close. There's proposed wording that has been circulated for the regulations. I have to commend the government. The ministry staff has worked really hard, and I commend them. They're getting stakeholder input from all parties, and they're trying their best to find something that all parties can be comfortable with. So we're very close to getting that wording. Yes, I'm confident we'll get there.

Mr. Hudak: So you would support my earlier question to Mr. Murphy about naming the bill the Arthur Lofsky Act, as its short title?

Laughter.

Mr. Pearlstein: I refuse to answer on the grounds that it may tend to incriminate.

1030

Mr. Hudak: Do you see any other professions that should have an exemption to this act, aside from the legal profession?

Mr. Pearlstein: I'm here to represent the bar association and the legal profession. Our official position is in regard to lawyers themselves, and we haven't taken a position on any other profession. But I would answer you that exempting lawyers from this act is very consistent with the treatment of other professionals in other acts. A very good example is that doctors are exempt from the Pharmacy Act. You have to be a licensed pharmacist to

prescribe prescription medicines, but if you're a medical doctor, you're totally exempt from those regulations. So is a dentist. A dentist could technically prescribe heart medicine and is exempt from the Pharmacy Act. There are other regulations that control dentists and doctors; therefore, it's recognized in the public interest.

Mr. Hudak: Do lawyers get involved in the referral business as well?

Mr. Pearlstein: Yes. I wouldn't mind addressing that. We're strongly in favour of the simple referral. Instead of regulating this area, it fits perfectly, in my opinion, with the purpose of this act. The whole thrust of this act is to get mortgage brokerage services under the act. So if the simple referral exemption says you have to refer it to a licensed mortgage broker, which is clearly the thrust of the act, or to a bank or other institution which is otherwise regulated, then the consumer gets all the protections of the act.

The simple referral is a perfect balance between the interest of the consumer—the consumer wants to be referred. Even some of the other presenters said that you usually go to the person you trust, who could be a lawyer, a life insurance company, a bank manager or anybody else. You go there and say, "What should I do?" If you refer them to an otherwise regulated party, who is the mortgage broker, you've now brought them under the act, and then they have all the protection.

To answer Mr. Prue's question, you don't have to worry about the dollars, because the act says specifically that the mortgage broker, the other licensed party, must fully disclose all fees in writing. Whatever fees are going to be paid, already the consumer has to be told and has to know all of these. Regulating the amount of the fee is not really in the public interest, because whatever the fee is, whether the fee goes to the mortgage broker or part of that is split out to the person who has referred or whatever, the fee gets disclosed. If the consumer is paying a \$500 fee, he doesn't really care if \$200 of it goes to this person or \$300 goes to that person. What he really cares about is, "What are the total fees I'm paying on this?"

Mr. Hudak: And it's disclosed.

Mr. Pearlstein: It has to be disclosed, because the protection is that the only exemption for the simple referral is to somebody who is regulated by this act or who is recognized, like a bank or life insurance company, and is heavily regulated, and there is no issue that they would have to be disclosed under their act.

Mr. Hudak: So wouldn't you be supportive of the idea we heard earlier about a cap on what the fee—

Mr. Pearlstein: We are against a cap, because it's not in the public interest to micromanage. When you have these caps, what happens is that it starts hurting the consumer. Right now, you might say \$100 is fine. In five years—you won't be able to look at this legislation or the regulations, and they won't get changed for 10 years, and then people will not be providing the services to the consumer. Right now, the fees are not a concern; it's disclosure, and that's already covered by the act. The consumer is protected. If you keep the thrust of consumer

protection rather than managing the whole industry, I think it's in the consumer interest to get these referrals. They want them.

The Chair: Thank you for your presentation.

LAW SOCIETY OF UPPER CANADA

The Chair: I call on the Law Society of Upper Canada to come forward, please.

Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Malcolm Heins: Good morning. My name is Malcolm Heins. I'm chief executive officer of the Law Society of Upper Canada. I'm accompanied by Ms. Sheena Weir, who is our manager of government relations, and Ms. Caterina Galati, our senior competence counsel. We're pleased to be here this morning to speak to Bill 65, the Mortgage Brokerages, Lenders and Administrators Act.

The law society is the regulator of the legal profession. We have 37,000 lawyers that we regulate, and we have a staff of approximately 400 people engaged in the regulation of the legal profession. We have a broad public policy mandate as well, within our regulatory authority, and as a result of that mandate, we've had significant interest in what's going on in the area of mortgage brokers and their regulation.

If you look at the law society regulation as to how we regulate lawyers, you'll see that we have a rather extensive array of regulations which go to the issue of how lawyers actually carry on their business. As well, we have the right to audit, we do practice reviews, we have standards, all of which we look to. We have insurance; we have compensation. So it's a very broadly based regulatory environment.

Bill 65, as we see it, attempts to address some of the significant changes that have taken place in the marketplace for mortgages and credit products. Lawyers are extensively involved in financial transactions in this province. If we look at the lawyers we regulate, approximately 8,000 of them engage in real estate related activities. About 4,000 of them are primarily involved in those areas. So they are touching this issue continuously and we hear about the issues that have been taking place in the market.

In our view, there's a need for a fundamental change, and this bill goes a long way to addressing the changes that we think need to take place. The mortgage brokering marketplace is very different from the one that existed when the original Mortgage Brokers Act was introduced. The regulation of mortgage brokers and agents at that time was fairly simplistic and is now, I think, very inadequate for the current state of the marketplace.

Historically, the principal business of mortgage brokers was to find lenders suitable for their borrower clients, at the expense of the borrowing clients, often because the borrower clients had characteristics that

made them less attractive to institutional lenders. Often, the lenders were private individuals.

Today, institutional lenders—banks, trust companies, credit unions—dominate the marketplace, and they actively seek mortgage clients through mortgage origination services, at their expense. The way to put that in the vernacular is that mortgages are now sold; they're not bought. There's tremendous competition, and as a result, there is an array of individuals out there competing to essentially refer clients to institutional lenders.

Related products and services are frequently bundled. Commissions and fees are paid by the lender to the commissioned salespeople as part of the cost of the mortgage, and these amounts are bundled and often not transparent. Fees may be modest as a percentage of each transaction but are significant when measured across the marketplace. It's difficult to put a handle on this, but if you took 1% of basically the residential marketplace as probably what is flowing into the referral side of what's going on in this province, you're probably talking something in the order of \$1 billion. So it's a lot of money.

The reality is that many, if not most, borrowers in the conventional mortgage marketplace today are dealing with advisers of some type. The day of sort of going to your bank manager on bended knee for your mortgage, which I think is the way I did my first mortgage, is long gone. It's just not like that out there. You go to an adviser of some type. What we need, and I think it's in this bill, is the ability to regulate the mortgage brokers themselves and, through that, this sort of advisory scheme that takes place as consumers are moved from one adviser to another and ultimately to a lender.

1040

From the perspective of the law society and the lawyer, as we see it, Bill 65 contains a very comprehensive and widely defined list of regulated activities, and you need that because of what's going on in the marketplace. At the same time, because you've so widely defined it, which I think is necessary, you've picked up legal services, which are the services we regulate through our regulation of lawyers. I think Mr. Pearlstein mentioned some of them. In my paper, at page 5, I've outlined some of the activities that would be picked up: negotiating terms of mortgage commitments, sometimes administering a mortgage as part of an estate, arranging assignments of a mortgage as security, negotiating mortgage clauses in agreements of purchase and sale, and conducting power of sale proceedings. All of these activities are things that lawyers do and that we regulate.

When we looked at the bill and saw subsection 6(6), which gives the power to exempt lawyers by regulation, we felt that authority was necessary. We haven't seen a final regulation at this stage, but we certainly understand that the intent would be not to regulate legal services, and we think that is absolutely necessary. From our perspective, what we don't want to see happening is two regulatory schemes covering the same activity. We want it clear where our authority begins and ends, and we want

it clear where the superintendent's authority begins and ends under this new act.

We have, of course, all sorts of rules and regulations that govern lawyers' obligations when they're dealing with a client, including rules that deal with how a lawyer would have to conduct a referral. For instance, they would have to disclose what was being paid to them; they would have to disclose their relationship with the person they were making the referral to. Our rules already deal with that. We have the right to audit that, and we have the right to look at the lawyers' accounts in that regard.

We also agree that if lawyers wish to engage in mortgage brokering activities, they need to be regulated under the act. We're not sitting here saying that the regulation of lawyers by the law society entitles lawyers to engage in mortgage brokering; we're quite clear about that. What we are saying, though, is that they need to be able to provide their legal services without interference.

That is my submission.

The Chair: Thank you. This round of questioning will go to the NDP.

Mr. Prue: There was some discussion, and you have been in the room for most of it—I know Sheena has, anyway—about the fee that can be charged. We've had suggestions that it be a percentage, 0.1%, or a flat fee. We've had other people say, "You shouldn't be doing it at all." If the lawyer is to make the referral and get the money, they're going to have to disclose how much it is. But people are often intimidated. The lawyer will say, "There's a \$1,000 fee for this." They could just easily pay it, and it takes 30 seconds' work. I'm just wondering, do you think there should be a limit to the amount someone can charge or should it just be open-ended?

Mr. Heins: I don't think the answer to that is clear-cut. First of all, in the lawyer's instance, if the consumer agreed and then had second thoughts later on, we actually have a process where the bill could be taxed and the fee written down. So we have a process to deal with that.

Taking it outside of the lawyer-based activity, I think the mortgage broker ought to have a duty under the regulations, as prescribed, to disclose what referral fee they have paid. The difficulty with referral fees is that you've got such an array of people who might be charging them, some regulated, some not. You've got regulation-making authority under the act. You deal with it on that basis.

You may decide to start off without a cap, and if you start to see abuse in some form, then perhaps you change the regulation. At least you have the flexibility. That's what regulation-making authority is for. It provides you with flexibility to deal with what you see. So I don't know that you have to come down hard and fast on it at this juncture, because it's not necessary to do so.

I can conceive of abuses without a cap. By the same token, I have some sympathy particularly for those others who are regulated for saying that it's not necessary, because of transparency, to put a cap on it. So I don't know that one size fits all here.

Mr. Prue: But again—

Mr. Heins: It's a good lawyer's answer.

Mr. Prue: I know.

Part of the duty of this government, of any government, is to look after the interests of the consumer. We won't allow banks or lending institutions to charge more than 60%. There's a whole debate going on in Ottawa about payday loans and whether that's usurious. The question is what a fair fee for this type of transaction is, and whether or not it can or should be limited. I don't know that I accept the lawyer's answer. Would you put the consumer interest above the interest of your members?

Mr. Heins: As I said, I think that you've got two ways of dealing with this issue. First of all, you have the ability to put a cap on, if you wish. You can do it if you think it's necessary in the marketplace as a result of what you're seeing happening. By the same token, though, you have regulatory authority over the brokers and agents so that you can tell whether or not they are paying unreasonable referral fees. So if there is abuse going on in the marketplace, you come down on those people and, at the same time, perhaps decide at that juncture that you are going to put a cap on. Or, alternatively, you put a cap on right out of the gate and see what happens in the market and then be prepared to change it. You've got that flexibility.

Mr. Prue: Is there more time?

The Chair: You have about a minute.

Mr. Prue: We've had two deputations—the first two groups—saying that, for legal services, they believe that if the lawyer is engaged in mortgage activity, the lawyer should be licensed. It's a bit of a grey area. At what point do you believe that the lawyers would require a licence? I mean, there are various degrees of getting involved. At what point would they be required to be licensed? You did concede that's maybe necessary if people go into mortgages.

Mr. Heins: I think where the lawyer is clearly holding themselves out as an entity that can source financing for you, then it would be our view that they're starting to cross the line and they should be licensed under the Mortgage Brokers Act.

Mr. Prue: So any lawyer who does that, in your view, should be licensed?

Mr. Heins: Correct.

Mr. Prue: That's fine. Thank you.

The Chair: Thank you for your presentation.

CANADIAN BANKERS ASSOCIATION

The Chair: I now call on the Canadian Bankers Association to please come forward. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Terry Campbell: Thank you, Mr. Chair. My name is Terry Campbell. I'm the vice-president of policy for the Canadian Bankers Association. I would like to

thank the members of the committee for the opportunity to provide some comments on Bill 65. I'll keep my remarks fairly short; I have really just a few points to make.

I'd start by saying that our industry supports the bill, supports the government's direction to bring real, positive change to the province's mortgage broker legislation. We think that the bill will help create a more structured and disciplined environment, which, again, we support. We feel that the bill achieves the government's objectives of improving customer protection—which really should be the key element here—enhancing and modernizing financial regulation in the province, and encouraging greater competition and, accordingly, when you have greater competition, more choice for consumers.

I'd also like to note that we appreciate the process that has been followed in the development of the bill. There has been quite an extensive consultation process, involving a wide range of stakeholders over a couple of years, and this has resulted in, I think, some very quality input, some quality discussion. I think it has established a very solid base on which the legislation is proposed. So I did want to take an opportunity to say that.

During the process, we've taken advantage of the opportunity to make a few points, generally in the context of support. We have made some proposals that are reflected in the bill, a few items that I would like to highlight.

1050

The legislation recognizes that banks are federally regulated and are not covered by the bill. They are regulated, as you know, by the Bank Act, a federal statute. That act contains quite an extensive legislative and regulatory framework, which includes a whole host, an array, of consumer protection provisions, mortgage disclosure and mortgage-related provisions. It has also created a dedicated regulator at the federal level, the Financial Consumer Agency of Canada, which is basically dedicated to overseeing and enforcing compliance with the federal rules.

The bill also contains requirements for mortgage agents as well as mortgage brokers to be licensed, and we think that is appropriate. We're also pleased to see that the bill provides for a mechanism to enact regulations to prescribe practice standards, including education and errors and omissions insurance. Again, we think that's appropriate. We support the notion that people who deal in mortgages need to be properly trained and properly supervised, and I think the bill and the regulations will help achieve that.

Finally, the legislation implements harmonized cost-of-credit disclosure rules and improved enforcement mechanisms, all of which we think is entirely appropriate.

In terms of possible additional amendments that you may wish to consider, I would just really like to raise one issue: I'm talking about the issue of cost-of-borrowing disclosure. Our sense is that the focus of the legislation

should be—it's a consumer protection bill, a retail consumer protection bill—on consumer transactions as opposed to business transactions.

We note, in subsection 23(1) of the bill, the language provides that "A mortgage brokerage shall disclose to each borrower who is an individual the cost of borrowing...."

That's fine as far as it goes, but in some circumstances—actually, many circumstances—individuals will enter into credit agreements for business purposes. I think our sense is that the bill should have a consumer focus. It's not clear that the language is sufficiently clear as to whether business transactions are excluded from the application of the cost-of-borrowing disclosure provisions.

This kind of exclusion is provided for elsewhere in similar and related kinds of regulation and legislation. For example, the agreement for harmonization of cost-of-credit disclosure laws in Canada, which is basically a Canada-wide agreement among jurisdictions to establish a template for cost of credit, provides that the provisions do not apply to a credit agreement which is a business credit agreement. The cost-of-borrowing regulations at the federal level to which banks and other federal financial institutions are subject also provide that the provisions do not apply to credit agreements entered into for business purposes. So our suggestion for your consideration is that the cost-of-credit disclosure aspects of the legislation be amended to provide some clarification, that it's really strictly for the consumer-related transactions.

As I said right up front, my remarks are very focused on a couple of elements. We support the bill, and we support the process that has been followed to bring the bill to this point. We think that it will bring meaningful change. It will streamline and harmonize regulation. We think it will enhance consumer protection, which is really what it's all about, and provide the public with the assurances they need about the integrity and competence of the industry. That will just make for a better functioning mortgage market in the province.

Those are my few remarks. I'd be happy to take any questions.

The Chair: Thank you very much. This round of questioning will go to the government.

Mr. Arthurs: Mr. Campbell, thank you very much for your presentation. I'm sure we'll pass along to ministry staff, and the minister's staff as well, the various comments we've heard this morning about the openness and thoroughness of the consultation and the professionalism with which staff have worked to generate this legislation.

Mr. Campbell: I didn't comment on the last part, but I would comment on that as well. I would agree with that, yes, speaking as a former Ministry of Finance official myself.

Mr. Arthurs: It's always encouraging for any government to hear as they draft legislation that the work they're doing collaboratively has been well received.

Although not referenced here, the one issue, the one matter that's been the subject of more discussion here, almost more than any other, is the issue of the simple referral. I'm not sure if you could tell me whether banks are less inclined to get referrals because people tend to go to them directly than might happen otherwise. Any observations about the simple referral as proposed, which really restricts it to name, address, phone number, e-mail, as opposed to a referral that goes beyond that, with a modicum of financial information—total income—to another point in the continuum, where it begins to talk about credit checks and the like? Any comments on that, from a banking perspective or from your association's perspective?

Mr. Campbell: We didn't comment on that particularly and we haven't focused on that particular part of the bill. The provisions in the legislation as written did not give rise to any concerns at the CBA or among our members, so it would be a little difficult for me to comment specifically about the array.

I would say, just in reference to the introductory part of your question to me, and also in reference to some comments I heard from some earlier presenters, it is a highly competitive marketplace, where the business comes to lenders who have a variety of means. It can be direct. People can still walk into their bank or trust company or credit union to negotiate it, particularly if they have a relationship, but increasingly—banks are about 60% of the market. You've got a whole range of other credit granters, and they're all really competing for the business out there. One of the ways that has developed is this interesting intermediary, the broker. Whereas, traditionally, you would go to your own institution, institutions are increasingly relying on referrals and business being brought to them in a variety of ways. We welcome

that. It's the kind of tension and discipline you need in the marketplace, because if I'm not happy with you, I can walk right across the street, I can go to my broker or I can go to somebody to make a referral, and he or she can, in effect, shop the marketplace. So we welcome that. It puts us on our toes and all that. But beyond that, the specific provisions in the legislation gave no problems, from our perspective.

Mr. Arthurs: Thank you for the responses.

The Chair: Thank you for your presentation.

Mr. Campbell: Thank you, and good luck to you.

Mr. Hudak: Chair, through you to the parliamentary assistant: Mr. Campbell made a point about the intent behind subsection 23(1), whether this applies to business transactions or simple consumer transactions. The same language, I think, is used in 24(1), 25(1), and 26(1). So I'd ask if we could just have clarity from the Ministry of Finance by the end of the day on Tuesday, in case we're considering amendments in that respect, on what the ministry's intent is with respect to the language, "A mortgage brokerage shall disclose to each borrower who is an individual," etc.

Mr. Arthurs: We'll certainly undertake, through staff who are here, to try to get a response back in the time frame requested.

Mr. Hudak: Thank you.

The Chair: Very good. And thank you, sir.

Mr. Campbell: Thank you, sir.

The Chair: That concludes our presentations this morning. I want to remind committee members that any proposed amendment should be filed with the clerk by 5 p.m. on Tuesday, October 17, so that it can be taken care of and catalogued. We are adjourned.

The committee adjourned at 1058.

CONTENTS

Thursday 12 October 2006

Mortgage Brokerages, Lenders and Administrators Act, 2006, Bill 65, Mr. Sorbara / Loi de 2006 sur les maisons de courtage d'hypothèques, les prêteurs hypothécaires et les administrateurs d'hypothèques, projet de loi 65, M. Sorbara	F-525
Subcommittee report.....	F-525
Canadian Institute of Mortgage Brokers and Lenders	F-526
Mr. Jim Murphy	
Independent Mortgage Brokers Association of Ontario.....	F-528
Mr. Jeff Atlin	
Primerica Financial Services Ltd.; Canadian Life and Health Insurance Association.....	F-531
Mr. Peter Goldthorpe	
Ms. Hande Bilhan	
Ontario Bar Association.....	F-533
Mr. Steven Pearlstein	
Law Society of Upper Canada.....	F-535
Mr. Malcolm Heins	
Canadian Bankers Association	F-536
Mr. Terry Campbell	

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F-16

F-16

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Standing committee on finance and economic affairs

Mortgage Brokerages, Lenders
and Administrators Act, 2006

Comité permanent des finances et des affaires économiques

Loi de 2006 sur les maisons
de courtage d'hypothèques,
les prêteurs hypothécaires et
les administrateurs d'hypothèques

Chair: Pat Hoy
Clerk: Douglas Arnott

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRS****COMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES**

Thursday 19 October 2006

Jeudi 19 octobre 2006

*The committee met at 0907 in room 151.***MORTGAGE BROKERAGES, LENDERS
AND ADMINISTRATORS ACT, 2006****LOI DE 2006 SUR LES MAISONS
DE COURTAGE D'HYPOTHÈQUES,
LES PRÊTEURS HYPOTHÉCAIRES ET
LES ADMINISTRATEURS
D'HYPOTHÈQUES**

Consideration of Bill 65, An Act respecting mortgage brokerages, lenders and administrators / Projet de loi 65, Loi concernant les maisons de courtage d'hypothèques, les prêteurs hypothécaires et les administrateurs d'hypothèques.

The Chair (Mr. Pat Hoy): The standing committee on finance and economic affairs will now come to order. We're here this morning for clause-by-clause consideration of Bill 65. Good morning, everyone.

I'm obliged to ask if there are any comments, through certain sections. I do note that there are no amendments until we get to section 6. Are there comments for sections 1 through 5?

Mr. Tim Hudak (Erie—Lincoln): Hold on a second here; I've got to catch up. To clarify, Chair: So there are no amendments proposed to sections 1 through 25, as part of our package?

The Chair: Sections 1 through 5, not 25.

Mr. Hudak: Sorry, 1 through 5. I was looking—

Interjections.

Mr. Hudak: Exactly.

The Chair: You actually have the first motion—section 6.

Mr. Hudak: I was just wondering why 1 through 5 got away so clean.

The Chair: Do we have any comments on those? Hearing none, shall sections 1 through 5, inclusive, carry? Carried.

Now, we do have a PC motion. Mr. Hudak? It's number 1 in your package. They're numbered, as is customary.

Mr. Hudak: Yes. I've just got a whole bunch of different packages here.

I move that subsections 6(7) and (8) of the bill be struck out.

The Chair: Comment?

Mr. Hudak: Absolutely. One of the concerns that the opposition has expressed with the act is that a lot of the information that's required for us to pass judgment is left to the regulatory process. We'll get to some other amendments that address that later on, but it seems like everybody's seen regulations, shared regulations that have been before the committee, except members of the committee themselves.

There has been consultation of regulations; I commend the government for consulting the draft regulations. The concern I would raise is that not all of the regulations that have been shared with stakeholder groups have been shared with members of the committee. It's a general concern we have about the bill. Again, I will give credit to the parliamentary assistant, the assistants of the Minister of Finance, for the consultation with stakeholders, but I just feel that committee members were left out of that process.

This gets to the point on subsections 6(7) and (8). The problem here is that these are extremely broad exemptions. Let me just read what subsection 6(7) says, if the amendment were not to pass: "Such other persons and entities, or classes of persons or entities, as may be prescribed are exempted from the requirement in sections 2, 3 and 4 to have a brokerage licence in such circumstances as may be prescribed." It's a broad, wide-open, drive-a-truck-through-it type of exemption, and (8) is the same: "Such individuals, or classes of individuals, as may be prescribed are exempted from the requirement in sections 2 and 3 to have a mortgage broker's or agent's licence in such circumstances as may be prescribed."

So maybe I would just ask the parliamentary assistant what the government's intention is in having such a broad scope of exemption for other persons and entities that aren't described anywhere in the legislation or the minister's remarks.

Mr. Wayne Arthurs (Pickering—Ajax—Uxbridge): First, I appreciate the comments from Mr. Hudak and the concern he raised at the first round of hearings on the matter of regulations. We did provide information on the status of that whole process at this point. I hope that that was helpful, although it certainly didn't address all of his concerns.

Clearly, the issue we have with the amendment would be that it would, to a large extent, eliminate the possibility of making appropriate exemptions through that regulatory process, and that consultation is ongoing. It's

our view that the superintendent ultimately needs, through the regulations and through that consultation, the capacity to scope the appropriate opportunities for exemptions from the legislative framework. Unfortunately, it keeps it broad, but that provides the opportunity to scope it during the course of the regulatory refinement.

Mr. Hudak: Thanks to the parliamentary assistant for the response. Is there anything that is contemplated by the government? There are a number of exemptions, which I can understand. Lawyers is one; we heard from the bar association as well as the law society. Simple referrals are exempted. Those who practise in other financial institutions are exempted. Those who are licensed under other acts have exemptions. I'm just trying to contemplate who else may possibly be exempted under Bill 65, aside from those already mentioned in the previous subsections.

Mr. Arthurs: Off the top of my head—the stakeholder consultation continues. I can't recall whether trustees are mentioned. That may be a matter that would be considered as part of that process.

Mr. Hudak: I just don't recall in the hearings or from written submissions—please correct me if I'm wrong—any other groups or individuals who asked for broader exemptions from the act. Those who came before us made their points. That's reflected in the act to one degree or another, such as those who practise law, as I said. I just can't get my head around the broad loophole of subsections 6(7) and (8).

Have we had any deputations or any written submissions from other groups who feel that they should also be exempted from the act?

Mr. Arthurs: I'm not aware that we've had anything very specific beyond what is identified. As I say, the process is not yet fully completed.

Mr. Hudak: Consumer protection is an important theme of this bill and one of the reasons why we support the bill. We do have some concerns, as I've mentioned. For the sake of consumer protection and maintaining high standards for those who deal in mortgages, I had no choice, really, but to bring forward this amendment. Without a better understanding of who else could go through this, and because of the broad nature of these exemptions, I think it should be taken out of the bill.

Mr. Arthurs: Just as a final comment, if I could, the existing legislation is under review after some 30 years or thereabouts. In all likelihood, the legislation that we're dealing with now may stand for some considerable time, if past experience dictates. As a result, it would be to some degree prudent, I think, to provide that window to address what may transpire in the future through a regulatory process as opposed to being too constrained in the legislation, in spite of the fact, as the member opposite has indicated, what we heard at the hearings limited things to—much as he has put forward today.

Mr. Hudak: I appreciate that point. My last comment on that is, we could always bring in a bill to amend the act later on. If there is a groundswell of support for former cabinet ministers, for example, to deal in

mortgages and you wanted to put that in as part of the act, you could bring that forward as part of the red tape bill or what have you. There are mechanisms to do so. I just think allowing it through a regulatory process that will be above and beyond the scrutiny of the Legislature, or even members of this committee, is asking for too much.

I'll leave my arguments at that, but that was the underpinning argument for removing the Mack-truck loophole in this legislation.

The Chair: Are we ready for the question?

Mr. Hudak: A recorded vote.

The Chair: A recorded vote is requested.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Delaney, Mitchell, Ramal, Sandals.

The Chair: The motion is lost.

Shall section 6 carry? All in favour? Opposed? Carried.

We move to number 2 in your package, a government motion.

Mr. Arthurs: I move that subsection 7(2) of the bill be struck out and the following substituted:

“Authorized activities

“(2) A brokerage licence authorizes the licensee to carry on the business of dealing in mortgages in Ontario or the business of trading in mortgages in Ontario or to carry on business as a mortgage lender in Ontario, as the case may be, by engaging in the activities permitted under the licence issued to the licensee.”

The Chair: Comment, if any?

Mr. Michael Prue (Beaches—East York): I have a question. It reads almost the same to me. What is the significance of your change?

Mr. Arthurs: I think it might be appropriate—we do have some officials here with us. Some of these are technical amendments legislatively. If we could maybe call upon one of our officials, that might be helpful just to get the technical context of it.

The Chair: Please state your name for the purposes of Hansard.

Ms. Caryl Silver: My name is Caryl Silver. I'm a lawyer at the Ministry of Finance.

The amendment being proposed is a technical amendment to clarify the language with respect to brokerages. Brokerages are licensed to carry on the business of dealing or trading in mortgages. The amendment inserts that carrying-on-business element into this provision.

Mr. Prue: But why the change in the wording? The only thing I can see is that subsection 7(2) is written in the first place with the verb in the present tense: “the licensee to deal in mortgages.” The only thing I can see

here is that you've got: "to carry on the business of dealing." It doesn't seem to be as specific as the first.

Ms. Silver: It relates to the subsections in the "Dealing in mortgages" provision, section 2 of the bill. Subsection 2(2) says, "No person or entity shall carry on the business of dealing in mortgages ... unless he, she or it has a brokerage licence...." It's to be consistent with that prohibition in subsection 2(2) that the language should be adopted also in subsection 7(2). "Carry on the business" is the appropriate terminology for the business entity. When we refer to individuals, the prohibition in subsection 2(3) says, "No individual shall deal in mortgages...." It does not have the carrying-on-business aspect. Therefore, when we refer to individuals, we say, "No individual shall deal...." Again, it's a distinction between the business entity and the individual, and flows from section 2 and section 3 of the bill.

Mr. Prue: Thank you.

The Chair: Further comment? Hearing none, all in favour? Opposed? Carried.

We move to a government motion, page 3.

Mr. Arthurs: I move that subsection 7(6) of the bill be struck out and the following substituted:

"Principal broker

"(6) A person or entity who has a brokerage licence shall designate a principal broker to exercise such powers and perform such duties as may be prescribed, and the individual so designated shall carry out his or her powers and duties in accordance with the regulations, if any."

The Chair: Comment?

Mr. Hudak: Just an explanatory note, if possible.

Mr. Arthurs: I'm just going to ask the official to stay with us at this point, if they would, seeing that most of these are technical in nature.

Ms. Silver: Again, this is a technical amendment. It clarifies that a person designated as a principal broker would be required to comply with the powers and duties set out in the regulations. That element of that person being required to do the job that he is required to do in the regulation was omitted from the bill as drafted.

0920

Mr. Hudak: Who do you blame for that?

Ms. Silver: There is no blame in this project.

The Chair: Further comments? Hearing none, all in favour? Opposed? Carried.

Shall section 7, as amended, carry? All in favour? Opposed? Carried.

Opposition motion. PC motion, page 4. Mr. Hudak.

Mr. Hudak: I move that the bill be amended by adding the following section:

"Prohibition against multiple offices unless licensed

"7.1(1) No brokerage shall carry on the business of dealing in mortgages in Ontario, trading in mortgages in Ontario or as a mortgage lender in Ontario from more than one place to which the public is invited unless the brokerage is licensed in respect of each place, one of which shall be designated as the main office and the remainder as branch offices.

"Branch offices

"(2) Every branch office of a brokerage shall be under the supervision of a broker and each such office having more than one broker or agent shall be under the direct management of a broker who has been licensed for at least two years."

The Chair: Comments, if any?

Mr. Hudak: Members of the committee will recall this was a suggestion by Jeff Atlin, who made a presentation on behalf of the Independent Mortgage Brokers Association of Ontario, IMBA. Basically, the notion is lifted from the Real Estate and Business Brokers Act, 2002, for which I have some affection as the minister who had brought that legislation forward. I thought it was a good idea at the time with respect to real estate. I thought it important that we give Mr. Atlin's suggestion that a similar system for mortgage brokerages be brought forward under Bill 65.

Mr. Arthurs: This is the concern the government has with the amendment, and thus can't support it: It would, at the very least, restrict some types of activity. Mortgage brokerages aren't necessarily large enterprises. It could very well much restrict a home operation—as an example, a home office—without licensing that particular facility, without potentially having a broker doing direct supervision. We think it's not as progressive in the context of today's business environment as one might otherwise anticipate or hope we could find.

Mr. Hudak: I appreciate that. We're always loath to create any additional red tape, so I appreciate the parliamentary assistant's answer.

The concern that Mr. Atlin had, and this is one of the reasons I want to bring this up for discussion at committee, is a consumer protection angle. I think Mr. Atlin's concern was that if you have a series of attached offices, the quality control, the standards, are at risk of deterioration the farther it gets away from the principal.

Back to the parliamentary assistant: What reassurances does the government have that the high standards for mortgage brokers and those who hold licences under this act will be maintained if this amendment doesn't go through?

Mr. Arthurs: Clearly, the objective in the legislation is in part to raise the bar and the standards of education where they don't exist; and where they do exist, to provide a better framework for broker management, whether it's through the established brokerages, the principal brokers, the reporting relationship and the responsibility.

We know the legislation can achieve that without necessarily having a site-specific licence, particularly as it relates to things like rural Ontario, a home operation or something similar to that.

I know Mr. Hudak has referenced some of the deputations. Certainly, among the stakeholders, those who maybe represent a larger block of stakeholders organizationally have expressed concern with this amendment for much the same reasons.

The Chair: Further comments? Hearing none—

Mr. Hudak: A recorded vote, Chair.

Ayes

Hudak.

Nays

Arthurs, Delaney, Mitchell, Ramal, Sandals.

The Chair: The motion is lost. Page 5 in your package, a government motion.

Mr. Hudak: Chair, sorry to interrupt. I've had some discussions with the parliamentary assistant—no, it's 47(1). Sorry. Go ahead.

The Chair: Government motion on page—

Mr. Arthurs: Mr. Chair, I move—

The Chair: Just a moment. I'm ahead of myself here. There are no proposed amendments for sections 8, 9 and 10, inclusive. Any comment on those sections? Hearing none, shall they all carry? Carried.

Now we move to the government motion on page 5.

Mr. Arthurs: I move that section 11 of the bill be amended by striking out "that will lead to the belief" wherever it appears in subsections 11(2), (4), (6) and (8) and substituting in each case "that might reasonably be expected to lead to the belief."

The Chair: Comment?

Mr. Arthurs: Very briefly. Again, if there's a requirement for some technical expertise, our officials are here. Generally, the amendment is intended to stop unlicensed individuals from misleading the public by suggesting that they are licensed under this act.

Mr. Prue: I'm just a little bit worried about this. The words need to be accurate. What this is doing or what I see it doing—"might reasonably be expected." So if an individual walks in and misconstrues what is being said and then goes on to seek some protection under this bill, this is a pretty high onus being put on someone. It's much higher than the original words, "That will lead to the belief." I just find it's going too far, and maybe if the staff will comment.

Ms. Silver: These subsections each refer to using terminologies or descriptions to imply that you are licensed under this act. The threshold, "That will lead to the belief," is high, but the proposal is to make it a lower threshold, "That might reasonably ... lead to the belief," exactly to preserve the meaning of being licensed under this act, so that someone could not suggest that they were licensed under the act and then make the argument, "Oh, you could not have possibly believed that I was actually licensed under the act."

Mr. Prue: So they could bold-face say that under the first one and get away with it?

Ms. Silver: It is intended to not let them get away with using descriptions where they are not entitled to use those descriptions. A person who is not licensed under the act should not insinuate that they are licensed under the act, and if they lead you to believe that they are licensed under the act, they will have committed a

contravention of this act and could be subject to prosecution.

Mr. Prue: So if a guy says, "I do work around mortgages"—he's not licensed under the act, but he does do work around mortgages—is he now caught in a contravention?

Ms. Silver: He may be caught in a contravention, depending on the factual circumstances, yes. He may also be exempted from being licensed under this act. But unless one of those two circumstances apply, if the person is dealing in mortgages or trading in mortgages, and suggests that he is licensed under the act when in fact he is not, it could be a contravention of the act.

The Chair: Further comment? Hearing none, all in favour? Opposed? Carried.

Shall section 11, as amended, carry? Carried.

There are no proposed amendments to sections 12 or 13. Shall those sections carry? Carried.

Page 6: a PC motion.

Mr. Hudak: I move that subsection 14(1) of the bill be struck out and the following substituted:

"Issuance of licence

"(1) The superintendent shall issue a licence to an applicant who,

"(a) satisfies the prescribed requirements for the licence; and

"(b) in the case of an applicant for a mortgage broker's or agent's licence, has successfully completed a prescribed examination,

"unless the superintendent believes, on reasonable grounds, that the applicant is not suitable to be licensed having regard to such circumstances as may be prescribed and such other matters as the superintendent considers appropriate."

0930

The Chair: Comment?

Mr. Hudak: We did hear significant support for maintaining high standards for those who participate in this industry, important checks and balances by the superintendent and strong support for education.

One of the most impressive presentations was by the handsome and affable Jim Murphy on behalf of CIMBL—one of my favourite acronyms, by the way, the Canadian Institute of Mortgage Brokers and Lenders. In his presentation, Mr. Murphy talks extensively, and rightly so, about high education for those who participate in the sector. To quote from Mr. Murphy, "Standards rest on the foundation of professional education. To create an effective education program, there must be a common curriculum, a common set of learning materials and a common exam."

What this would do is follow up on the recommendation of Mr. Murphy and others to create that common exam. Obviously, I couldn't put all the details in myself, so we would trust those in the industry to help come up with the best exam, working with FSCO and with the Ministry of Finance. But I do think that it's a sensible way of ensuring high standards, high-quality

dealings, in the industry and that consumer protection is paramount.

Mr. Arthurs: Although we around the table agree in the context of the need for strong educational requirements, the government can't agree to the amendment as prescribed. The educational consultation is under way. I assume reference was made even at the last hearing to the website on educational activity that was established online for input. I believe that closed for input on the 17th, in my recollection, so that data is obviously being collected, and the stakeholders are continuing to be consulted in building the educational framework. I'm confident that we'll have a good process at the end, as so many of the stakeholders have been supportive of the initiative of the bill so far over these past couple of years. And although we're in agreement in the context of the need for solid educational requirements, we can't agree as government to the inclusion of a prescribed exam in the legislation.

Mr. Hudak: I appreciate the government's commitments on the record to high-quality education. I thank the parliamentary assistant for reminding me that the education consultation was done publicly, which we appreciated. That was publicly accessible to members of the committee.

Just a quick question, though, to make sure I understand: Is it the government's intention to actually proceed with a standardized exam in the future?

Mr. Arthurs: My understanding at this point is that the ongoing consultation process will help to further refine how it will look. Among the kinds of issues that were discussed here and that have been discussed among stakeholders are the educational requirements. A prescribed examination in legislation may bring one to the conclusion that all parties, either those with absolutely no particular educational background—the cabinet minister who might want to become a broker—or the lawyer, would be required to fulfill exactly the same requirements from ground zero. The outcome of this, I think, may very well be that you're giving those kinds of variations, that one group who has extensive background in mortgage education may find that the educational requirement would be modified to identify those equivalencies, in effect.

Yes, it's the intent to move forward with a strong educational framework, and the consultations will define that through regulations, ultimately. But I wouldn't think that the same prescribed exam would necessarily be required for all individuals, when we recognize that there may be equivalencies for those who have training or education already in the mortgage field.

Mr. Hudak: My last comment on this, and I thank the parliamentary assistant: This is for those who are seeking licensure as a mortgage broker or an agent's licence, not those who practise in other professions that have exemptions under the bill. It doesn't sound like this baby's going to pass, but I do hope the government will keep that in mind as it goes through the consultations in the future; that if it does see the wisdom in a prescribed examination down the road, it will adopt that.

The Chair: Further comment? Hearing none—

Mr. Hudak: A recorded vote.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Delaney, Mitchell, Ramal, Sandals.

The Chair: The motion is lost.

I'm advised that PC motion on page 7 will not move forward, as the previous motion failed.

Mr. Hudak: Chair, if I could: I appreciate that. This proposed motion, which is recorded as 7, would amend the previous motion that failed, so I appreciate that you are ruling this out of order. Just for the sake of the public record, it was intended to be a grandfathering for those who are already licensed under the act to give the government and the industry time to come to the prescribed examination. I think that's fair. Obviously, any piece of legislation of this importance in an important industry needs some degree of time for a transition period.

I do want to say, though, that if the government does determine to go to some form of prescribed examination down the road, a standardized test of some kind, then obviously a grandfathering provision would exist for transition matters. Thank you, Chair.

The Chair: Shall section 14 carry? Carried.

There are no proposed amendments to sections 15 or 16. Shall they carry? Carried.

Now, government motion, page 8. Mr. Arthurs.

Mr. Arthurs: I move that subsection 17(5) of the bill be struck out and the following substituted:

"Effect of suspension

"(5) During the suspension, the licensee is not authorized to carry on the business of dealing in mortgages in Ontario or the business of trading in mortgages in Ontario, to deal in mortgages in Ontario or trade in mortgages in Ontario or to carry on business as a mortgage lender in Ontario, as the case may be."

The Chair: Comment, if any?

Mr. Prue: What's the purpose of the technicality?

Ms. Silver: Again, it's to make it consistent—

Mr. Prue: Make it consistent with the other stuff?

Ms. Silver: Exactly.

The Chair: Further comment? Hearing none, all in favour? Opposed? Carried.

Shall section 17, as amended, carry? Carried.

Now we have a government motion, page 9. Mr. Arthurs.

Mr. Arthurs: I move that subsection 18(7) of the bill be struck out and the following substituted:

"Effect of suspension

"(7) During the suspension, the licensee is not authorized to carry on the business of dealing in mortgages in Ontario or the business of trading in mortgages in Ontario, to deal in mortgages in Ontario or trade in mort-

gages in Ontario, to carry on business as a mortgage lender in Ontario or to carry on the business of administering mortgages in Ontario, as the case may be.”

The Chair: Comment? Hearing none, all in favour? Opposed? Carried.

Shall section 18, as amended, carry? Carried.

There are no proposed amendments for sections 19, 20, 21 and 22. Shall those sections all carry? Carried.

Now we have government motion, page 10. Mr. Arthurs.

Mr. Arthurs: I move that subsection 23(1) of the bill be amended by striking out “who is an individual.”

The Chair: Comment, if any?

Mr. Arthurs: It’s technical in nature.

The Chair: All in favour? Opposed? Carried.

Shall section 23, as amended, carry? Carried.

Government motion, page 11. Mr. Arthurs.

Mr. Arthurs: I move that section 24 of the bill be amended by striking out “who is an individual” in the portion before paragraph 1.

The Chair: Comment, if any?

Mr. Hudak: I think this reflects the deputation we heard. I forget the gentleman’s name now—it’s terrible; I should have it in front of me—who had questioned that phraseology, and I do thank the parliamentary assistant for getting back to us through counsel at finance to indicate that it was being changed. So I’m pleased to see it proceeding and I thank the parliamentary assistant for getting back to us well in advance of the committee hearings today.

0940

The Chair: Further comment? Hearing none, all in favour? Opposed? Carried.

Shall section 24, as amended, carry? Carried.

Government motion, page 12. Mr. Arthurs.

Mr. Arthurs: I move that subsection 25(1) of the bill be amended by striking out “who is an individual” in the portion before paragraph 1.

The Chair: Comment? All in favour? Opposed? Carried.

Shall section 25, as amended, carry? Carried.

Section 26: a government motion. Mr. Arthurs.

Mr. Arthurs: I move that section 26 of the bill be amended by striking out “who is an individual.”

The Chair: Any comment? All in favour? Opposed? Carried.

Shall section 26, as amended, carry? Carried.

Government motion, page 14. Mr. Arthurs.

Mr. Arthurs: I move that the English version of section 27 of the bill be struck out and the following substituted:

“Prohibition re disclosure in advertising

“27 No person or entity shall authorize any advertisement for a mortgage which purports to contain information relating to the cost of borrowing or any other prescribed matter unless the advertisement contains such information as may be required by the regulations and is in such form and manner as may be prescribed.”

The Chair: Comment? Hearing none—oh, Mr. Prue?

Mr. Prue: As you were reading, I was trying to read the old one, and I can’t even see a difference in the word—did I miss? Is there some word change?

Ms. Silver: The words “the information that may be required” are being replaced with the words “such information as may be required.” This makes the English more consistent with the French version of the bill.

Mr. Prue: All right, okay. I just couldn’t even see the change. Maybe I wasn’t paying close enough attention.

The Chair: Any other comment? All in favour? Opposed? Carried.

Shall section 27, as amended, carry? Carried.

Page 15, PC motion. Mr. Barrett.

Mr. Toby Barrett (Haldimand-Norfolk-Brant): The committee will see on page 15 a motion with respect to section 27.1 of the bill.

I move that the bill be amended by adding the following section:

“Duty re Disclosure of Other Information

“Duty to disclose other information

“27.1(1) A mortgage brokerage and mortgage broker shall disclose the following information to each borrower and lender in a mortgage transaction in which the brokerage or broker is acting:

“1. The nature of the relationship between the brokerage or broker and the borrower and lender.

“2. A description of the products the brokerage or broker offers, and the lenders on whose behalf the brokerage or broker offers those products.

“3. A description of the fee, commission or any other kind of compensation, including compensation based on volume of business or other factors or gifts, such as the payment of travel expenses or of expenses for attendance at seminars, that the brokerage or broker may receive for their services.

“4. The brokerage’s or broker’s policy on the refund of fees.

“5. Any additional fees payable by the borrower or lender to the brokerage, broker or any other person or entity in respect of the transaction.

“6. A description of the compensation, of any kind, if any, payable by the brokerage or broker to any other person or entity in respect of the transaction.

“Same

“(2) The information required by subsection (1) shall be disclosed in the manner and at the time prescribed by the regulations.”

The Chair: Comment?

Mr. Hudak: The goal here is obviously to enhance consumer protection in Bill 65. We need to ensure that not only does 27, as unamended, prohibit improper disclosures in advertising; we think that there’s a duty of disclosure in this industry of other information.

I think it’s important for the consumer, when making decisions around mortgages or mortgage products, to understand the relationship with the broker/brokerage. As well, what’s the relationship of that individual to the borrower, to the lender; what kind of incentives exist? If there’s a clear understanding by the consumer of the

motivations and incentives of the agent they're dealing with, I think that makes for strong consumer protection enhancements and it makes for the best possible transactions.

Folks will remember that, again, CIMBL had strongly suggested the importance of disclosure. They were kind enough in their package to share with us their own mortgage borrower disclosure document, which they're encouraging their members to use. Members have that, and they'll see that there are similar items CIMBL asks its members to produce when engaging a consumer interested in pursuing a mortgage product.

These six points really reflect what exists not only in CIMBL's proposed disclosure document, but also in the province of Alberta, which recently brought forward some strong consumer protection initiatives around this duty of disclosure of their relationship with a brokerage and broker to borrowers and lenders.

We did hear a lot in the presentations, as well as written submissions, about types of incentives that may exist. If a broker, for example, sells a greater number of product for one particular lender, there may be incentives there. There may be incentives to those who refer to an individual broker. I'm not trying to step into the marketplace by any means, but we want to make sure that the information is fully revealed at the beginning of the relationship with the individual consumer.

I do have a subsequent amendment that is a bit more general in nature, but I thought these six points particularly were reasonable and would be of great interest to consumers.

The Chair: Thank you. Further comment?

Mr. Prue: I'm going to support this amendment. I think it's a good one. I had toyed with the idea and ultimately did not put in an amendment limiting the amount of money that could be charged based on some of the discussion the other day, but this one here seems to be the absolute minimum. People should know what fees are changing hands. It's not readily apparent to them if a mortgage broker or a lawyer are making references to each other, are exchanging monies and doing deals. People need to know that. They need to have this information and it should be up front. I don't see any reason why it would not be passed.

I would ask the government members to carefully consider this, not so much in terms of this act but in terms of consumer protection.

Mr. Arthurs: Although we certainly appreciate the approach, we acknowledge that much of what is here is framed, as Mr. Hudak said, on the presentation by CIMBL, who have been active stakeholders in this process and generally are obviously supportive of the approach, since they put forward a disclosure document that's strongly reflected in these words. Having said that, the intent is to continue to build into the standards of practice which are referenced in the bill.

Subsection 10(4) speaks to: "The licensee shall comply with such standards of practice as may be prescribed for the licence issued to the licensee." The intent is,

through the regulatory process, to put in place appropriate disclosure documents. I will continue, obviously, to use the input of CIMBL and others in this process to well frame the standards of practice regulations for the purposes of the legislation.

The objective is to achieve, through the regulatory process, that continuing dialogue and continuing stakeholder engagement that Mr. Hudak is proposing at this point we put in the legislation. We won't be able to support the amendment, but clearly we want to see the intent carry forward through to the regulatory process, and the standards of practice will reflect that, because there is a regulatory consultation on standards of practice currently ongoing.

0950

Mr. Hudak: I appreciate the parliamentary assistant's response and his kind words about the intent of the amendment.

Subsection 10(4) is very general. It says, "The licensee shall comply with such standards of practice as may be prescribed for the licence issued to the licensee." It's very general. It's a catch-all. I understand that this could potentially fit under there, but it is so broad that I think it's important for us to have a stand-alone section with respect to disclosure. It's an industry that can be complex and there's such a potential for some in the industry to have incentives that may not always be in the best interests of consumers.

My colleague Mr. Prue mentioned types of payments. I think the vast majority of those engaged in this industry would do this as a matter of course, and CIMBL asks its members to do so. Nonetheless, I think it is vital that this type of disclosure duty actually exists and is embodied in the bill itself as opposed to a very general section of the act that relies simply on regulations. Subsection 10(4) doesn't even talk about the disclosure relationships. I would have liked to have seen that exist somewhere in the legislation itself. Failing that, I guess I would ask the parliamentary assistant: is it the government's intention through subsection 10(4) to actually come forward with mandatory disclosures?

Mr. Arthurs: I would remind you again that consultation is going on through the ministry and through the stakeholders. It would be my view that there would be mandatory disclosure requirements in the regulatory framework to be very clear from the standpoint of consumer protection in particular as to what those expectations are.

Mr. Hudak: Does the parliamentary assistant believe that the types of disclosures that would come through the regulatory process reflect those that are in the six bullets?

Mr. Arthurs: I would venture to say, given the strength of CIMBL as one of those significant stakeholders representing a large sector of the industry, that in that consultation and stakeholder input the government would want to take very seriously the input from CIMBL as part of that framework. I wouldn't want to say exclusively so or come to that conclusion in the absence of all of that activity, but I think it would be fair when

you have a large segment of the industry being represented and when they've taken the time to ensure that we have this through the process. We would want to take it very seriously in the context of the regulatory framework.

Mr. Hudak: My last question on this: Is the concept of a mandatory disclosure document like CIMBL suggests also part of the consultations that the government would take very seriously?

Mr. Arthurs: In my view, yes, and I would certainly undertake as part of this process where we are on record to ensure that those comments are forwarded to that consultation process and taken into consideration. In my personal view, yes, but I wouldn't want to pre-empt that activity. I certainly would encourage it.

Mr. Hudak: I do feel pleased to hear the comments from the parliamentary assistant. We know the weight he can wield at the Ministry of Finance. If he feels this way, I have every confidence that these types of protections will be in place for the regulatory process. I know he has one of the hardest-working interns now in his office too and no doubt she'll be readily engaged in this process as well. I appreciate the parliamentary assistant's comments. It is encouraging that the government will be looking at this and engaging in consultations.

Nonetheless, I think, for the sake of consumer protection and the very broad and general nature of section 10, that it actually should be in the bill as I have proposed in 27.1, and we'll proceed with this motion.

The Chair: Further comment? Hearing none, all in favour—

Mr. Hudak: A recorded vote, please.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Delaney, Ramal, Sandals.

The Chair: The motion is lost.
PC motion on page 17. Mr. Hudak.

Mr. Hudak: I move that the bill be amended by adding the following section:

"Duty re Disclosure of Other Information

"Duty to disclose other information

"27.1(1) A mortgage brokerage and mortgage broker shall disclose prescribed information to each borrower and lender in a mortgage transaction in which the brokerage or broker is acting.

"Same

"(2) The information required by subsection (1) shall be disclosed in the manner and at the time prescribed by the regulations."

The Chair: Comment?

Mr. Hudak: It's the same principle as the previous amendment. This one is more general in nature. It would allow the consultations to take place and for details of the

disclosure to be brought forward through the regulatory process. It certainly isn't the preferred amendment, but seeing that the first one failed, I'd still like to proceed with this to ensure that actual disclosure duties are enshrined in the bill itself.

Mr. Arthurs: Our response would be generally the same. Although we are in agreement in the context of the need for disclosure, it's our view that those will be achieved through the regulatory process. That process is currently ongoing, so we will not be able to support the amendment.

The Chair: Mr. Prue?

Mr. Prue: I don't know that that answer is good enough. I understand the collegiality around the table here today, but all this says is that they "shall disclose prescribed information" which is set out by the regulations. This does not stop the consultation; it simply enshrines in the bill for the force of law for all to see that when the government makes regulations, people have to follow them. I don't see the argument being the same as the last one.

You set whatever regulations you want and the bill says that they shall be imposed. I don't see the problem with this. I'm sorry; I don't.

Mr. Hudak: Mr. Prue is exactly right. I'm happy to hear that consultations are taking place. It sounds like there are some in-depth conversations with respect to duty of disclosure of relationships and incentives. All this does is allow that to proceed. You can come back with the feedback through consultations and invoke them through regulation, but this is simply a placeholder to show that there is a specific part in the act for the sake of consumer protection around duty of disclosure. The Ministry of Finance is free to bring forward regulations as it pleases through the consultations that are already existing.

Mr. Arthurs: Again, I appreciate the comments. We're reasonably confident at this point that the details, as they'll be set out under the standards of practice, which are dealing with the matter of disclosure, will adequately provide the opportunity for ensuring that those disclosures are in place.

The Chair: Further comment?

Mr. Hudak: A recorded vote.

The Chair: A recorded vote is requested.

Ayes

Hudak, Prue.

Nays

Arthurs, Delaney, Mitchell, Ramal, Sandals.

The Chair: The motion is lost.

There are no amendments for sections 28, 29, 30, 31, 32, 33, 34 and 35. Shall all of those sections carry?
Carried.

Government motion, page 18. Mr. Arthurs.

Mr. Arthurs: I move that subsection 36(6) of the bill be struck out.

The Chair: Comment?

Mr. Arthurs: The subsection is somewhat redundant with provisions that are already available in statutes under the federal Bank Act. We're obviously trying not to overlap with other legislation that covers the needs.

The Chair: Further comment? Hearing none, all in favour? Opposed? Carried.

Shall section 36, as amended, carry? Carried.

Page 19, government motion. Mr. Arthurs.

Mr. Arthurs: I move that subsection 37(1) of the bill be struck out and the following substituted:

"Appointment of receiver, etc.

"(1) The superintendent may apply to the Superior Court of Justice for an order appointing a receiver, receiver and manager, trustee or liquidator of property that is in the possession or under the control of a licensee or person or entity who the superintendent believes, on reasonable grounds, is or was required to have a licence (the 'designated person')."

1000

The Chair: Comment? Hearing none, all in favour? Opposed? Carried.

Government motion. Mr. Arthurs.

Mr. Arthurs: I move that the French version of subsections 37(5), (6) and (7) of the bill be struck out and the following substituted:

"Pouvoirs de la personne nommée

"(5) La personne nommée a les pouvoirs précisés dans l'ordonnance et, si le tribunal le lui ordonne, elle peut liquider ou gérer les affaires de la personne désignée."

This is very nice. Thank you, staff.

Interjections.

The Chair: Order.

Mr. Arthurs: "Effet de la nomination

"(6) Si une ordonnance est rendue, les administrateurs de la personne désignée n'ont plus le droit d'exercer les pouvoirs qui sont conférés à la personne nommée; ils retrouvent cependant ce droit lorsque le tribunal libère cette dernière.

"Honoraires et frais

"(7) Les honoraires et les frais de la personne nommée sont laissés à la discrétion du tribunal."

The Chair: Comments? Hearing none, all in favour? Opposed? Carried.

Shall section 37, as amended, carry? Carried.

Page 21, PC motion. Mr. Hudak?

Mr. Hudak: Thank you, Chair.

The Chair: Oh. I moved yours, but apparently there are no amendments to sections 38, 39, 40, 41, 42, 43 or 44.

Mr. Hudak: I am proposing an amendment to section 42 which resembles the amendment I had proposed for section 44, so I think we're good up until section 41 without amendment.

The Chair: Very good. We will need a copy of that, if you would, for the clerk. Then, you say that up to 42 is fine?

Mr. Hudak: Up to 41. I do have an amendment for 42.

The Chair: Shall sections 38, 39 and 40 carry? Carried.

That brings us to section 41.

Mr. Hudak: Sorry, Chair. To be clear, I have a section for section 42. We're okay through 41.

The Chair: Shall section 41 carry? Carried.

I'm advised that this would create a new section to the bill, so we could deal with section 42. Shall section 42 carry? Carried.

Mr. Hudak: I've created a new section, I guess, that can go right after.

The Chair: We have a proposed motion from Mr. Hudak. We'll get copies for the committee members.

Mr. Hudak: I'll also give them a copy of the new 47(1).

I'll explain it to committee members in this pause. We have the official opposition amendments 21 and 22 dealing with false or deceptive information prohibitions. Mr. Arthurs and the hard-working, similarly handsome and affable Arthur Lofsky were kind enough to work with the official opposition to make sure that the language in the amendment met with the kind of language used in the act.

The two new motions we're getting copies of for the committee members have the exact same intent as motions 21 and 22; they're simply worded somewhat differently and are in slightly different parts of Bill 65 than proposed. So I'll be standing down 21 and 22, but in their place, I'll be moving, as substitutes, two amendments that get at the exact same purpose. I don't know if members have received their copy.

Mr. Arthurs: There were a couple of extra copies available. Mr. Prue now has them as well. If Mr. Hudak feels he wants to proceed with any comments, we could do that and, as soon as the copies come in, we'd certainly provide them to the balance of the members on this side.

Mr. Hudak: Terrific. So I'll go ahead—

The Chair: We have agreement? Mr. Prue?

Mr. Prue: It's up to them. I have a copy. My privilege is not being violated. I think the members' privilege is being violated, though, if I can speak on their behalf. Every member should have a copy of this in their hand if we're dealing with it. It's not fair.

The Chair: I agree.

Mr. Prue: They may not want to see it, but they should have it.

The Chair: Not every member has a copy.

Mr. Hudak: It's on its way?

The Chair: It's coming presently.

Mr. Hudak: I could give a bit more explanation.

The Chair: Are we agreeable for an explanation, and then we'll read it into the record, rather in reverse order? Agreed? Agreed.

Mr. Hudak: Great. My explanation should be approximately how long, I say to the clerk?

Interjections.

Mr. Hudak: The intent of the new section, 42.1, that I'm bringing forward is to prevent false or deceptive information for any of those who are licensed as a mortgage brokerage or a mortgage administrator from conveying.

Chair, you know, and I know other members of the committee are concerned, about the existence of mortgage fraud or title fraud and related issues. I understand that the Minister of Government Services is bringing forward an act this afternoon, which I read about in the paper, where I expect he'll be bringing forward some suggestions on how to combat fraud in these areas. We certainly have read, with horror, cases of some residents in the province of Ontario who, through no act of their own, have found themselves with a new mortgage tacked onto their title or losing title of their property, simply through a sophisticated mechanism of fraud. It is my view and, I suspect, shared by other members of the committee, that this is an unfortunately growing phenomenon in Ontario.

I know my colleague Mr. Tascona, who represents Barrie-Simcoe-Bradford, has brought forward a private member's bill to combat mortgage fraud. Again, we'll see what the minister brings forward into the Legislature later today, if media reports are accurate.

I was actually working on a private member's bill myself in this area, and Mr. Tascona was at the same time. As our critic, as you can understand, sort of trumps me as the member for Erie-Lincoln, we proceeded with his bill. Although, if I had Adam McDonald working in my office, I think we probably would have won that battle, but we lost him and therefore I lost the argument. But Joe's bill is a good bill, which I fully support.

One of those who provided great advice to me in the formation of the private member's bill, and now to Mr. Tascona, is Alan Silverstein. Mr. Silverstein is, of course, a well-known lawyer but, very importantly, a consumer advocate. He has shown an interest as well in Bill 65 and had given me some excellent and helpful counsel in bringing forward this amendment, which we can see is a companion piece, really, to whatever mortgage fraud legislation comes through the Legislature.

In this respect I also want, if I don't get a chance this morning—depending on how our time goes—to thank Susan Klein for her assistance as legislative counsel. We put forward a variety of amendments, some of which were complex or maybe my directions weren't exactly clear in terms of legal language, but I think, at the end of the day, we've brought forward some strong amendments in the proper language. Ms. Klein was very helpful in forming this, which is one of my favourite amendments in the package, as well as the earlier ones, that I think in her heart of hearts she was cheering for, that didn't win the votes when it came to duty for disclosure. But I know it was not easy to put in proper legal language for legislation from my outright stealing of the suggestions from the CIMBL presentation.

1010

I think that members of the committee have in front of them my proposed motion, so perhaps I'll read it into the

record as they read it as well—and I appreciate their patience with this. As I said, it really is the same thing with some slightly different language that I had proposed in amendment 21 of the package.

The Chair: Everyone does have a copy now, I do believe, so we'll let Mr. Hudak read.

Mr. Arthurs: We just have the second amendment. We're just making sure we're getting copies made. We need the next one, which is an adjunct companion amendment.

The Chair: Go ahead. Mr. Hudak will read it into the record.

Mr. Hudak: I move that the bill be amended by adding the following section under the heading "Prohibitions and Offences":

"Prohibition re false or deceptive information

"42.1(1) No mortgage brokerage or mortgage administrator shall give, assist in giving or induce or counsel another person or entity to give or assist in giving any false or deceptive information or document when carrying on the business of dealing in mortgages in Ontario or the business of trading in mortgages in Ontario, when carrying on business as a mortgage lender in Ontario or when carrying on the business of administering mortgages in Ontario.

"Same

"(2) No mortgage broker or agent shall give, assist in giving or induce or counsel another person or entity to give or assist in giving any false or deceptive information or document when dealing in mortgages in Ontario or trading in mortgages in Ontario."

The Chair: Thank you. Further comment?

Mr. Arthurs: We're pleased to be able to support the amendment as presented. The intent in the amendments that were proposed earlier—this helps the wording from the standpoint of the legislation to fit better. Having said that, we were pleased with the inclusion. I'm happy to support it.

The Chair: Further comment? Hearing none—

Mr. Hudak: A recorded vote for the sake of posterity.

The Chair: A recorded vote is requested.

Ayes

Arthurs, Delaney, Hudak, Mitchell, Prue, Ramal, Sandals.

The Chair: That's carried.

This motion that just carried created a new section. Shall section 42.1 carry? Carried.

There are no amendments for sections 43 or 44. Shall they carry? Carried.

Now we come to the PC motion on page 21. Mr. Hudak.

Mr. Hudak: The amendment that just carried unanimously, which I thank all my colleagues for so doing, supersedes 21, so I will stand 21 down.

The Chair: Thank you. Sections 45 and 46 have no amendments proposed. All in favour? Carried.

The PC motion on page 22. Mr. Hudak.

Mr. Hudak: Again, I think members have been provided with an updated version of this amendment. I thank Ms. Klein for her help in crafting this, and the parliamentary assistant, Mr. Arthurs, and Mr. Lofsky from the minister's office for making sure that it fit with the government's language used elsewhere in the bill.

The new amendment is in replacement of what's number 22 in our package. For the sake of clarity, I'll read it.

I move that subsection 47(1) of the bill be amended by adding the following paragraph:

"7.1 Subsection 42.1(1) or (2) (Prohibition re false or deceptive information)."

The Chair: Comments?

Mr. Hudak: This adds to the list of offences of the provision that we had brought forward in the previous amendment regarding false or deceptive information. That will ensure that any sanctions that can be brought under Bill 65 can be brought forward for any violations of the new section 42.1.

Mr. Arthurs: The government remains in agreement with this companion amendment.

The Chair: Further comment?

Mr. Hudak: Recorded vote.

Ayes

Arthurs, Delaney, Hudak, Mitchell, Prue, Ramal, Sandals.

The Chair: The motion is carried.

Shall section 47, as amended, carry? Carried.

There are no proposed amendments for sections 48, 49, 50, 51, 52 and 53. Shall they all carry? Carried.

PC motion, page 23. Mr. Hudak.

Mr. Hudak: I move that subsection 54(1) of the bill be amended by adding the following clause:

"(i.1) prescribing the maximum fee or other compensation that a person or entity may receive, directly or indirectly, for a referral described in subsection 6(4) or (5)."

The Chair: Comment?

Mr. Hudak: We heard this from the independent mortgage brokers. We did hear a number of concerns around simple referral. The intent of this amendment is to allow the Lieutenant Governor in Council to prescribe the maximum fee or any other type of compensation for a simple referral that exists. I think there was some concern expressed by the independent brokers and other groups that if proper caps or controls were not put in place, then it would create a significant incentive for the simple referral process to be abused. I know that "simple referral" will be defined even further in regulations, but nonetheless, I thought it important to give the Lieutenant Governor in Council this authority to regulate the fees in that grey area.

Mr. Prue: Yes, there was quite a bit of discussion the other day, but for me, the discussion at the very end by

the Law Society of Upper Canada basically said that we had two options: either to do nothing and to wait for problems to arise and then fix them, or to set out the regulation and set out the law as is being proposed in this particular amendment and, over time, if there is nothing, then seek to relax or amend it. It seems to me that the latter process is the best one, and I would commend Mr. Hudak for bringing this motion forward. It merely sets the maximum amount. It can be set at any amount, but it will ensure that no one, for a simple referral, is paying some kind of usurious fee.

People don't always understand. They're trying to buy property. It might be their first home. They don't understand the rules. If the government were to set a maximum fee of \$1,000, to me that would seem like some huge amount of money, but at least the person will be protected over paying \$2,000 or \$3,000 or \$5,000 for a simple referral. I think a maximum amount is not going to hurt anyone who is doing proper business.

Mr. Arthurs: The government cannot support the amendment. I think we heard a variety of input during the deputations both for and against, probably as strongly on both sides, the setting of maximum fees or setting of fees directly. It remains the government's view that the marketplace will dictate reasonably what's a reasonable fee.

The simple referral and the reason for stressing the simple referral is that the information being referred is the name, address, phone number, as opposed to all of the financial matters. So it keeps it constrained, and thus the value, to some extent, I think, is constrained as well. There are provisions, though, for disclosure of the fees as part of that simple referral, so there are provisions within the act that will ensure that there is a disclosure of what those fees are.

1020

The Chair: Further comment?

Mr. Hudak: I did constrain the amendment to simple referrals only, as opposed to fees in the marketplace—I want to be clear about that—the reason being that if the government ends up defining simple referrals very narrowly, as the parliamentary assistant just described, name and address information, it doesn't really require a heck of a lot of work, so you wonder about the significant compensation for that. I do worry that if, in the case of simple referrals, it's conveying information like that and there are large rewards for that, it invites abuse, that maybe following a simple referral a manila envelope arrives with further information. I think that if you have a large compensation that's allowed for that process, it does invite the possibility of abuse.

This doesn't mandate the fees. It gives the Lieutenant Governor the ability to react and to prescribe those fees, as my colleague Mr. Prue rightly indicated. I think it's important to have that power in the bill in the case of simple referral.

I know there were those who argued about regulating fees and compensation in a general sense in market transactions, but I don't recall strong objections to a

narrowly defined simple referral having some cap on the level of compensation.

The Chair: Further comment? Hearing none—

Mr. Hudak: Recorded vote.

Ayes

Hudak, Prue.

Nays

Arthurs, Delaney, Mitchell, Ramal, Sandals.

The Chair: The motion is lost.

Government motion, page 24. Mr. Arthurs.

Mr. Arthurs: I move that section 54 of the bill be amended by adding the following subsection:

“Subdelegation to superintendent

“(3.1) A regulation made under subsection (1) may authorize the superintendent to establish all or some of the education and experience requirements respecting the issuance or renewal of mortgage broker’s or agent’s licences or to establish all or some of the education and experience criteria respecting the designation of a principal broker.”

The Chair: Comment?

Mr. Arthurs: We need to include this subsection. Frankly, it was an oversight in the final drafting and should have been included at an earlier point in time.

The Chair: Further comment? Hearing none, all in favour? Opposed? Carried.

The next motion is a government motion. Mr. Arthurs.

Mr. Arthurs: I move that clause 54(4)(e) of the bill be amended by striking out “levied” and substituting “imposed.”

The Chair: Comment, if any? All in favour? Opposed? Carried.

The next motion is a government motion. Mr. Arthurs.

Mr. Arthurs: I move that clause 54(4)(f) of the bill be amended by adding “or entity” at the end.

The Chair: Comment, if any? Hearing none, all in favour? Carried.

Shall section 54, as amended, carry? Carried.

Government motion, page 27. Mr. Arthurs.

Mr. Arthurs: I move that subsection 55(3) of the bill be amended by striking out “the class or classes of mortgages or of lenders” and substituting “the class or classes of mortgages, borrowers or lenders.”

The Chair: Any comment? Hearing none, all in favour? Opposed? Carried.

Shall section 55, as amended, carry? Carried.

Page 28, PC motion. Mr. Hudak.

Mr. Hudak: Through the clerk and legislative counsel—I had earlier a proposal for an examination to be prescribed under clause 14(1)(b). That motion failed, so I don’t think 14(1)(b) actually exists, so I’m going to simply not mention that as part of my motion. So I’m altering my motion to an extent—

Interjection.

Mr. Hudak: As well, 14(1)(a). I’ll read this to be clear, but I’m going to end it at the word “licence” in that last paragraph.

I move that the bill be amended by adding the following section:

“Advisory committee

“55.1(1) The minister shall establish an advisory committee.

“Composition

“(2) The members of the advisory committee shall be appointed by the Lieutenant Governor in Council on the recommendation of the minister and shall include individuals who, in the minister’s opinion, are representative of the industry governed by this act, consumers, educators in the industry governed by this act and the Financial Services Commission of Ontario.

“Function

“(3) The advisory committee shall advise the minister on the education standards to be prescribed as requirements for the issuance of a licence.”

I hope that will now be in order.

The Chair: That’s fine. Mr. Hudak, any comment?

Mr. Hudak: As I said, I’ve recommended the parliamentary assistant, Mr. Lofsky and the Ministry of Finance staff for their consultations. My only complaint is that I wish we could have seen some of the draft regulations at the committee as well. Other than that, the view here is that that type of consultation should continue. This could be a living document. Certainly, the government has asked for a lot of trust in this bill, because the real meat will be in the regulations.

I’m proposing an advisory committee, chosen by the minister and recommended by the minister to the Lieutenant Governor in Council, made up of those who have an interest in this act. We heard from a number of groups—I cited CIMBL’s strong advocacy for high education standards—and I thought an advisory committee could play an important role in ensuring that those standards are the highest in Canada. Originally, under my proposed amendment that was submitted on Tuesday, they were going to provide advice for the exam. I know the exam was lost as an amendment, and maybe the government will still continue down that path. But I do think that an advisory committee would be tremendously helpful to give the minister and staff ongoing advice when they bring the regulations forward.

Mr. Arthurs: The government won’t be supporting the amendment. Again, I think we want to achieve the same things—solid education requirements, raise the bar for those in the business, and that they be well trained—in the interest of the consumer at the end of the day. The education review, as we’ve indicated, is currently under way. As part of that process, there is an advisory group for the education review. That advisory group was specifically formed for the review, and the main stakeholders are all represented. So in effect, there is an ongoing process and a structure around that to achieve certainly much, if not everything, of what the member would like to see by virtue of this amendment. We’re

satisfied with that process without having it within the legislation itself.

Mr. Hudak: Once the bill passes third reading in the Legislature, the ability of the opposition becomes more limited to make sure the government is good to its word, so to speak.

Secondly, ministers do change. The parliamentary assistant, certainly, if I had my way, would be in cabinet right now and should be in the next number of cabinet appointments. So he may no longer be the parliamentary assistant. What this does is make sure that that committee that already exists is enshrined in legislation, so that the next parliamentary assistant will have the good work of Mr. Arthurs—who will be watching over from his cabinet seat, of course—and will maintain the good work that has taken place. So I think it's important to have the advisory committee enshrined in the bill itself.

The Chair: Further comment?

Mr. Arthurs: The comments remain the same, although I appreciate the vote of confidence, as would all of my caucus colleagues, I'm sure, if it was extended to them. I've heard those comments before, as they reflect any number of members of our caucus who would be able to fill those roles. Nonetheless, I think we're satisfied at this point.

I must say too that I think we heard during the other day of hearings that, to the greatest extent, the stakeholders were expressing much support for the work by the minister's staff and the ministry staff in this long process, that it's been transparent and they've been engaged. I hope that the member opposite will have some confidence that it's the intention of the government and the ministry to continue in that vein as they continue through the educational review process, and that it won't be subverted in any way by virtue of any change in function of either a different parliamentary assistant or other, as the case might be.

1030

The Chair: Further comment?

Mr. Hudak: A recorded vote.

Ayes

Hudak, Prue.

Nays

Arthurs, Delaney, Mitchell, Ramal, Sandals.

The Chair: The motion is lost.

Page 29, a PC motion. Mr. Hudak.

Mr. Hudak: I move that subsection 56(1) of the bill be struck out and the following substituted:

“Review of act and regulations

“Initial review

“(1) Within five years after the first proclamation is issued under section 65, the minister shall appoint one or more persons to review the operation of this act and the

regulations and to make recommendations to the minister.”

The Chair: Comment?

Mr. Hudak: First of all, I'm always pleased to see sunset reviews or five-year reviews in legislation. I think that's important, particularly when so much is left up to regulations. So I support the principle of 56(1) as it currently exists.

This bill allows, if I followed it correctly, proclamations of various sections of the act to take place over time; it doesn't happen all at once. There may be some that are proclaimed early after the bill passes, and there may be some that take a degree of time. What I thought would be important would be that the trigger for the five-year review would be once the first proclamation occurs of the act. You could, for example, for the sake of argument, have proclamations that could take place for various sections over a five-year period, and 56(1), as written, would mean potentially that you're looking at a review 10 years down the road, as opposed to five years down the road. This will ensure that as the first proclamation takes place, that review is triggered.

Mr. Arthurs: It remains the position of the government that the review is most appropriately triggered after the full act is proclaimed. The member is quite correct: Obviously, there are parts that would be proclaimed maybe after the first part, and it may take a little longer. But it's our view that it would be better to review the act in its entirety at that point, rather than in part only.

Mr. Prue: The only difficulty I see is that the reason this bill is taking so long is that we've neglected it for 30 years. I don't see what is wrong with reviewing it five years from the date of proclamation. Quite frankly, even if some of the act has only been in force at that point for six months or a year, it doesn't mean that we wouldn't have a fairly good handle on what's going on. I'm reluctant to put this off for another period between five and 10 years, when this amendment will ensure that we don't find ourselves in the difficulties that we have in this particular bill because it's been neglected for so long. So I'm going to support the amendment. I don't see that it's going to cause the government, or any future government, any grief to do an update sooner rather than later.

Mr. Hudak: Just for the sake of clarity, the parliamentary assistant says, “We'd be worried that part of the act would be proclaimed and part of the act would not be proclaimed,” and they want to review the entire act. This is a five-year review, so I would certainly hope that all aspects of the act would be proclaimed and in force within a five-year time frame. That's not asking for too much. I certainly hope it will be a much more constrained proclamation than five years.

For the sake of clarity, what would happen is that a review will be triggered five years after the first section of the act is proclaimed. I would certainly hope that the rest of the sections are proclaimed in short order after that. You would probably have, in all circumstances I can imagine, several years of the act being in force before the

review is triggered—so just for the sake of clarity on what the amendment's purpose is.

The Chair: Further comment?

Mr. Hudak: A recorded vote.

Ayes

Hudak, Prue.

Nays

Arthurs, Delaney, Mitchell, Ramal, Sandals.

The Chair: The motion is lost.

Government motion, page 30. Mr. Hudak.

Mr. Arthurs: I move that the French version of subsection 56(3) of the bill be amended by striking out “bénéficiaires de la nomination” and substituting “personnes nommées”.

The Chair: Comment, if any? Hearing none, all in favour? Carried.

Government motion, page 31.

Mr. Arthurs: I move that subsection 56(4) of the bill be struck out and the following substituted:

“Public inspection

“(4) The minister shall make the recommendations of the appointees available to the public.”

The Chair: Any comment? Hearing none, all in favour? Carried.

Shall section 56, as amended, carry? Carried.

There are no amendments proposed for sections 57, 58, 59, 60, 61, 62, 63 and 64. Shall they all carry? Carried.

Page 32, PC motion. Mr. Hudak.

Mr. Hudak: I move that subsection 65(2) of the bill be struck out and the following substituted:

“Same

“(2) Sections 1 to 64 come into force on a day to be named by proclamation of the Lieutenant Governor, but such proclamation shall not be issued until the standing committee on finance and economic affairs holds two weeks of public hearings on draft regulations to be made under the act and tables its recommendations on the draft regulations in the assembly.”

The Chair: Comment?

Mr. Prue: I just have a question. The right of the Lieutenant Governor in Council to make regulations on anything is enshrined within the Legislature. I'm wondering why this would be unique. Why is this bill unique, this set of regulations unique? The Lieutenant Governor makes regulations every day.

Mr. Hudak: The purpose of this amendment is to ensure that proposed regulations, for example, on simple referral, have proper public scrutiny. While I do appreciate that some things like education standards, the document by FSCO, have been public, there are a great number of items that are still to be prescribed.

We've heard from deputations that they've had some consultations on draft regulations with ministry staff.

That's all well and good. I just feel a little bit hurt because I didn't have the draft regulations in front of me.

There are, in a document that was sent to us by Sarah Hanafy from the Ministry of Finance, responses to some of the concerns that I brought up at committee indicating that the government is aiming to have additional draft regulations available for public comment before third reading of the bill. I'm pleased to hear that. I think it's important, because the devil is in the details, for us to actually see what is proposed before asking us to vote on third reading. Hopefully the government will still carry through on that purpose, so we know the draft regulations in the areas that have caused some degree of discussion by stakeholder groups in a public forum.

I don't expect this one necessarily to pass. We got two today, so you never know. But the point here is that it would certainly have been my preference on a bill like this—there's been a congenial process, one that is supported by the opposition in its intent—to have had the same draft regulations before us that have been shared with stakeholder groups. That's what I'm getting at here and that's why this rather unique amendment has been brought forward. It will give all members of the committee the chance to see the very same draft regulations that have been provided to stakeholder groups but not members of the assembly.

Mr. Arthurs: I'd venture to say that some of the congeniality that we've established is a credit to the ministry and the stakeholders in bringing forward legislation in that consultation that can generate broad support. That's always a reflection of the degree of co-operation that ends up existing across the floor on legislation.

1040

Having said that, it's not my experience, as limited as it is, that one has public hearings and consultations of that sort in the regulatory process. We always could have them here sooner, but the legislation moved along nicely through second reading and to this point; the committee hearing was designated by the House leaders to happen fairly quickly, which is good news. We will endeavour to do as much as we can prior to third reading. When it might be back there really does rest in the hands of the House leaders as well, with legislative schedules and all those kinds of things. As I understand, though, the jurisdiction for ultimate proclamation does rest with the Lieutenant Governor in Council. It's really out of our hands.

Again, as a new member, I'm not familiar with the number of times the former government, over its two mandates, held hearings on the regulations prior to third reading. I don't know whether the mover of the motion can enlighten me in that regard. My understanding is they were pretty limited, if at all.

Mr. Prue: I'm totally intrigued. I'm looking at some huge possibilities here. I just want to know from Mr. Hudak, on behalf of the PC caucus, is this what the PCs would intend to do following the next election, should they form government, that they would put the regulations before the Legislature and have two weeks of

hearings and comments before regulations by cabinet were put into effect? If that is in fact your intention, I'm going to vote for that motion. But if it's just on this bill and for the purposes that you're mildly miffed, I'm somewhat disappointed. So if you could tell me, is this what you plan to do should you form or be in a cabinet in the next government?

Mrs. Liz Sandals (Guelph-Wellington): Yes, this is John Tory's platform.

Mr. Prue: Yes, is this a platform? Because if it is, then let's impose it now, and if it's not, then I have to take it with a grain of salt, quite frankly.

The Chair: Further comment? Hearing none—Mr. Hudak?

Mr. Hudak: I am but one member of the assembly, but I'm trying to be a groundbreaker here at this committee with this innovative motion.

Mrs. Sandals: He's with Garth.

The Chair: Order.

Mr. Hudak: Oh, be careful on that.

If Mr. Prue wants to see more of this, encourage me by supporting my amendment, and my colleagues as well.

From time to time, we'll bring forward amendments that we know won't necessarily pass to make a point. One of the reasons, frankly, why it's been very congenial here is because some of the tough decisions still are left in the regulations; right? I do hope that we will see, before the third reading vote, some of those difficult decisions in the regulatory process brought forward to the draft regulations. I still hope that I'll be encouraged by seeing this motion pass, but I am happy I got at least two done today.

The Chair: Further comment? Hearing none, all in favour? Opposed? The motion is lost.

Same section, PC motion, page 33. Mr. Hudak.

Mr. Hudak: I move that subsection 65(2) of the bill be struck out and the following substituted:

"Same

"(2) Sections 1 to 64 come into force on a day to be named by proclamation of the Lieutenant Governor, which shall not be later than October 1, 2007."

The Chair: Comment?

Mr. Hudak: I want to make sure that the momentum that's been developed in this legislation doesn't fade in 2007. From time to time, bills that leave a number of questions to be determined through the regulatory process can drag on before they're proclaimed. I know, for example, that the Consumer Protection Act that I brought forward as a minister—it was a complex piece of legislation; we had discussions with stakeholder groups, as the Ministry of Finance is doing with Bill 65. One of the challenges is, if there's momentum lost, parts of that act are being proclaimed in 2006, four years after the bill was passed. So I'm trying to find some sort of a deadline to make sure that all of those who are concerned with the status of the regulations actually know what they're going to be within a year's time.

Mr. Arthurs: Clearly, it's the government's intention to see the legislation moved along to implementation on a timely basis. Having said that, we can't control specifically how that might unfold, but we want to see this done during the balance of the mandate. It's not something we want to have left at the end of the day. But if this were included and for any reason that date could not be met, it would require, then, an amendment to the legislation, as I understand it, at the end of the day. So we can't support tying the government's hands or, effectively, in my view, sort of dictating to the Lieutenant Governor when he may choose to make a proclamation since at the end of the day that is his choice.

The Chair: Further comment? Hearing none, all in favour? Opposed? The motion is lost.

Shall section 65 carry? Carried.

PC motion, page 34. Mr. Hudak.

Mr. Hudak: I move that section 66 of the bill be struck out and the following substituted:

"Short title

"66 The short title of this act is the Arthur Lofsky and Jim Murphy Act (Mortgage Brokerages, Lenders and Administrators), 2006."

The Chair: Comment?

Mr. Hudak: We've certainly heard about the outstanding work by Mr. Lofsky, who humbly will tell me he's one of many who have worked diligently in the Ministry of Finance on this legislation. Mr. Murphy, certainly on behalf of CIMBL, has been at the forefront, from a stakeholder group point of view, and has brought forward a number of well-considered suggestions for this committee's consideration, which include a number that were brought forward as amendments to the bill. So I thought it suitable to enshrine the outstanding work of these two gentlemen by having the short title include the names of Messrs. Lofsky and Murphy.

Mr. Arthurs: I'm sure that both those gentlemen, who are here today, appreciate the acknowledgement by Mr. Hudak of their fine work, whether it's the fine work on behalf of the ministry through Mr. Lofsky and his engagement or on behalf of all the stakeholders through Mr. Murphy.

Having said that, we can't support the amendment. When the appropriate time comes I would like a recorded vote, because I would like the member opposite to have the opportunity to acknowledge the fine work of a member of the political staff of the government.

Mr. Prue: Well, I have to ask the question, will the government not recognize the fine work of a member of the government?

Quite frankly, you get bills like this, and it says, "The Hon. D. Duncan"—of course, he was the minister at first reading, but he disappeared from that post very soon thereafter—and we have a whole body of people who do this. I don't think we, as government, often give them enough credit for bills and contents of bills and how government legislation is passed. Parliamentarians often will be very pleased to say the role that they had, but in a case like this and in the overwhelming majority of cases, it's people whom ordinary citizens do not see.

It is not going to harm this bill one iota if it contains a couple of names of people who worked really hard. To my mind, if posterity wants to know who really did all the work on the bill, it's not going to have Michael Prue's name on it or Wayne Arthurs's name on it because, although we did a little bit in this committee, the people who spent a year, two years or five years on this bill are in this room and it should cause no one any umbrage to recognize that. I'm willing to do that on behalf of people who work for the government. I would only hope the government would be willing to do it as well.

The Chair: Further comment? Hearing none—

Mr. Hudak: Recorded vote.

Ayes

Hudak, Prue.

Nays

Arthurs, Delaney, Ramal, Sandals.

The Chair: The motion is lost.

PC motion, page 35. Mr. Hudak.

Mr. Hudak: I'm disappointed that that last motion didn't pass. I'm willing to give it another go here. I do note, though, that Mrs. Mitchell was not recorded voting against that last one, so I hope we had at least one ally.

I move that section 66 of the bill be struck out and the following substituted:

"Short title

"66 The short title of this act is the Arthur Lofsky Act (Mortgage Brokerages, Lenders and Administrators), 2006."

I was worried that Murphy felt I might be pulling Lofsky down in that last motion and wanted this one to stand on its own.

The Chair: Further comment?

Mr. Hudak: Recorded vote.

Ayes

Hudak, Prue.

Nays

Arthurs, Delaney, Ramal, Sandals.

The Chair: The motion is lost.

Shall section 66 carry? Carried.

Shall the title of the bill carry? Carried.

Shall Bill 65, as amended, carry?

Mr. Hudak: No. I'll say no, then. Recorded vote.

The Chair: A recorded vote. Shall Bill 65, as amended, carry?

Ayes

Arthurs, Delaney, Hudak, Prue, Ramal, Sandals.

The Chair: Carried.

Shall I report the bill, as amended, to the House?

Thank you, committee. We are adjourned.

The committee adjourned at 1053.

CONTENTS

Thursday 19 October 2006

Mortgage Brokerages, Lenders and Administrators Act, 2006, Bill 65, Mr. Sorbara / Loi de 2006 sur les maisons de courtage d'hypothèques, les prêteurs hypothécaires et les administrateurs d'hypothèques, projet de loi 65, M. Sorbara	F-539
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F-17

F-17

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Second Session, 38th Parliament

Assemblée législative de l'Ontario

Deuxième session, 38^e législature

Official Report of Debates (Hansard)

Thursday 23 November 2006

Journal des débats (Hansard)

Jeudi 23 novembre 2006

Standing committee on finance and economic affairs

Budget Measures
Act, 2006 (No. 2)

Comité permanent des finances et des affaires économiques

Loi de 2006 sur les mesures
budgétaires (N° 2)



Chair: Pat Hoy
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Thursday 23 November 2006

Jeudi 23 novembre 2006

The committee met at 1004 in room 228.

SUBCOMMITTEE REPORT

The Chair (Mr. Pat Hoy): The standing committee on finance and economic affairs will now come to order. I would like to have the report by the subcommittee. Mr. Arthurs.

Mr. Wayne Arthurs (Pickering–Ajax–Uxbridge): The standing committee on finance and economic affairs' subcommittee reports as follows:

Your subcommittee on committee business considered on Thursday, November 16, 2006 the method of proceeding on Bill 151, An Act to enact various 2006 Budget measures and to enact, amend or repeal various Acts, and recommends the following:

(1) That, pursuant to the order of the House dated Tuesday, November 14, 2006, the committee meet in Toronto for the purpose of holding public hearings from 10 a.m. to 12 noon on Thursday, November 23, 2006.

(2) That the clerk of the committee, in consultation with the Chair, be authorized to post notice of the committee's public hearings on the Ontario parliamentary channel and on the Internet.

(3) That the deadline for receipt of requests to appear before the committee be 5 p.m. on Monday, November 20, 2006.

(4) That the clerk of the committee distribute to each of the three parties on Tuesday morning, November 21, 2006 a list of those who have requested to appear by the deadline for receipt of requests.

(5) That, if required, each of the three parties supply the clerk of the committee with a prioritized list of the witnesses they would like to hear from by 12 noon on Tuesday, November 21, 2006. These witnesses must be selected from the original list distributed by the committee clerk.

(6) That the clerk of the committee, in consultation with the Chair, be authorized to schedule the witnesses.

(7) That the time allowed for presentations by witnesses be up to 10 minutes for groups and individuals, followed by up to five minutes for questioning by committee members.

(8) That the deadline for receipt of written submissions be 12 noon on Thursday, November 23, 2006.

(9) That, pursuant to the order of the house dated Tuesday, November 14, 2006, the deadline for filing amendments is 12 noon on Thursday, November 23, 2006.

(10) That, pursuant to the order of the house dated Tuesday, November 14, 2006, clause-by-clause consideration of the bill be scheduled following routine proceedings on Thursday, November 23, 2006.

(11) That the clerk of the committee, in consultation with the Chair, be authorized to commence making any preliminary arrangements to facilitate the committee's proceedings prior to the adoption of this report.

Mr. Chairman, that's the committee's report.

The Chair: Thank you. Any comments?

Mr. Tim Hudak (Erie–Lincoln): I thank the parliamentary assistant for reading into the record the subcommittee report. I do want to express on behalf of the official opposition our regret that this is yet another time allocation motion that has caused the committee to operate within very tight time constraints. I know the subcommittee would just have to work within what the motion was in the House; the subcommittee had no choice. But there are some weighty matters before us dealing with TIFs, dealing with the Canadian Public Accountability Board, concerns from groups like the Ontario Bar Association about such. Certainly, the Assessment Act changes deserve a lot of debate.

Because of the constraints of the motion brought forward by the government House leader, we really only have a couple of hours to consider what we've heard here today and then to craft amendments. I think my colleagues know, crafting amendments is a bit of a challenge, because you always need to have the proper legal language.

I know we have many groups before us; I look forward to hearing them. I just want to express our regret that the time to bring forward amendments is very constrained based on what we've heard.

Secondly, in an environment where we've seen the guillotine motion over Bill 107, the human rights legislation, and the evidence of a broken promise by the Attorney General to listen to groups at Bill 107, it's regrettable that this committee too is facing very tight time constraints which restrict our ability to bring forward thoughtful amendments.

The Chair: Further comment? Hearing none, shall it be adopted? Carried.

BUDGET MEASURES ACT, 2006 (NO. 2)

LOI DE 2006 SUR LES MESURES
BUDGÉTAIRES (N^o 2)

Consideration of Bill 151, An Act to enact various 2006 Budget measures and to enact, amend or repeal various Acts / Projet de loi 151, Loi édictant diverses mesures énoncées dans le Budget de 2006 et édictant, modifiant ou abrogeant diverses lois.

CITY OF MISSISSAUGA

The Chair: I will call on our first presentation of the morning, the city of Mississauga.

Ms. Hazel McCallion: Good morning, ladies and gentlemen. Thank you for the opportunity to make a presentation. I think the time allocated to this bill is far too short: only two hours for a bill that has very serious implications, in my opinion, not only to the municipalities.

First of all, I want to introduce Mary Ellen Bench, our solicitor, and Bob Rossini, our director of finance.

There are two issues that we want to direct. First of all, the TIF legislation, where it refers to the TIF, should have gone before the MOU. We have an agreement with the province that any legislation that seriously affects all municipalities, which this would, should be before the MOU. This did not go to the MOU. AMO is quite concerned about it and so are we. It should have gone to the MOU. The DC legislation is more specific and therefore would not go to the MOU. So we want to clarify we've sorted that out very clearly.

The TIF legislation, AMO—and we are supporting AMO; I'm on board supporting that this has to be deferred and referred back to the municipalities for input. It's not acceptable, and the conditions under which it operates should be included in the legislation. We're not happy that the cabinet, really, has the authority over this. It's a very difficult issue that has not been discussed with the municipalities and should go to the MOU. I want to emphasize that. It looks as if a few things coming out of the Ministry of Finance ignore the MOU, I have to tell you, and we are concerned about it.

1010

In regard to the development levies, I want you to know that we have been asking for two years to get the development levy legislation opened up. For instance, I'm on the GO board, and at every GO meeting it comes up: When is the province going to open up the development levy legislation in order for us to get it updated to apply the same regulation that they've applied to the York plan? And that is, not 10 years back but 10 years forward in predicting the development levies. We have resolution after resolution, which we will file with the committee, that the city of Mississauga has passed, and the region of Peel. We estimate that the GO Transit system has lost some \$400 million of development levies for the capital program of GO alone. We have not estimated what the municipalities have lost. We haven't done that.

It's very, very serious, and what shocked me—in fact, when I heard that Bill 151 exempted the York-Toronto subway, I even referred it to our solicitor, saying, “Are you sure that the legislation does that? I don't want to be misled.” The solicitor confirmed that it does. It's discrimination second to none against all other municipalities in the province that need the legislation to be opened up. We have our bus rapid transit, a major one, that it should be opened up for. Kitchener-Waterloo has a plan. I could go on and on with the municipalities that have major plans. I just question why Mr. Sorbara, who represents that area, stuck it into Bill 151. That was not in the bill when we first reviewed it.

I tell you, folks, I'm very concerned about it, extremely concerned. I would recommend to the government that they immediately amend their legislation to open up the development levy. They've extended it, if I'm correct, three times, and it's going to have to be extended again, because it ends December 31 this year, and they've taken no action on it. I believe the Minister of Finance says it's a tax increase. It's far from a tax increase. So I say to the government, you've got to deal with it, folks. I mentioned it to the Premier. It is unacceptable to pick one project, to open up the development policy for one project, to eliminate something that we've been complaining about for years, that it's 10 years back instead of 10 years forward, and open it up for that and leave the rest of us in the province still with the old development legislation. It's absolutely unacceptable.

Why was the York plan chosen? Yes, it's a major plan—no problem—but there are other major plans in the province, one in Mississauga, one in Kitchener-Waterloo, one in Brampton, and we could go on. And we're discriminated against. They said, “Oh yeah, sorry, we wouldn't do it for you folks, but we'll do it for one plan.”

You have our brief with all the details. I can assure you that we are very upset. AMO too says, why wasn't the development—we will file with you all the resolutions we've passed on opening up the development levy legislation in order for us to get on, to bring it up to date, to start getting the capital funding that the municipalities need for infrastructure. Capital funding—and they dilly-dallied on it.

I approached Mr. Sorbara in Ottawa after the AMO conference and said to him, “The municipalities, the regions around Toronto, have development levies. Toronto doesn't have development levies for GO, nor does Hamilton. We will contribute the development levies we collect for GO. But in addition to that, we're required to give property tax money towards GO.” We have passed resolutions at the region of Peel, and York has passed it as well, that all GO will get will be development levies, period. The province, of course, is in control, because if we don't give property tax dollars in addition to development levies to GO, they can deduct it from our gas tax, and we're concerned. So, members of the committee, I tell you, I hope that the province will immediately amend the legislation to open up the bill.

Then we have a letter from the minister at GO, from the Minister of Municipal Affairs saying the development

levy issue should await this task force review on the gap or the relationship between the municipalities and the province. That's not going to be completed until 2008. Bob Rossini can comment on how long it takes for us to negotiate with the developers and to come up with an acceptable plan of the new development levy, because it can be appealed to the OMB and many have been appealed to the OMB. We will not get a development levy opened up for the rest of the municipalities in this province until 2009. Think about it, folks—think about it. Our infrastructure needs—gridlock is second to none; I went through it this morning coming in. I say to you, things have got to change. So I implore you and the government members sitting around the table, you've got to amend the legislation to include all of us. Why are we excluded? What is so different about the city of Mississauga or Kitchener-Waterloo or Ottawa or any other municipality? What is so different about it? We need the money just like the York subway needs the money. You can read the rest of our presentation.

The Chair: This round of questioning will go to the official opposition.

Mr. Hudak: The time, Chair, would be?

The Chair: Five minutes.

Mr. Hudak: Your Worship, good to see you again. Congratulations on your recent re-election, and thank you for your very thoughtful presentation.

I can probably understand Minister Sorbara's thinking here. Any minister, as an MPP, is going to want to cheerlead projects that are affecting his or her riding. If there's a pet project, you have the ability, as minister, to give it a special advantage, but you need to resist that temptation and treat projects fairly, no matter what municipality they occur in. In fact, I was just reading a letter sent in from Mayor Miller in the city of Toronto who expressed even his concerns about the legislation. So I'm not even convinced Mayor Miller is supportive of the way that Minister Sorbara has approached development charges with respect to the York-Toronto subway.

Is your suggestion to take this out of the bill and have a stand-alone bill to discuss this, to delay its implementation until it goes through an MOU process? What's your advice for moving forward with respect to development charges and TIF, both?

Ms. McCallion: That could be the way to go, to take it out of this legislation and do what we've been asking them to do for two years, yes, to open it up. Yes, Mr. Miller is happy with it. I guess I could be happy with it if it applied to Mississauga, but I think the stand I've taken on a lot of issues is I look at the needs of the municipalities across this province. As chairman of the Large Urban Mayors' Caucus of Ontario, I can assure you this issue will be a hot and heavy discussion at the large urban mayors, of all the municipalities that have been excluded with this legislation.

Mr. Hudak: In fact, Mayor Fennell, your neighbour in Brampton, has been kind enough to send a letter making a similar point. You mentioned Kitchener-Waterloo, and I'm sure if there was more time, other

communities would express the same concern. Maybe I'd just ask the parliamentary assistant: Would the Ministry of Finance consider standing this section down, as well as the section on TIF, so we could actually get some input from the municipalities that are impacted?

Mr. Arthurs: Mr. Chairman, I think the process here is somewhat obvious to us. The member opposite has his time for the delegation, and we'll use our time when it's provided to us.

Mr. Hudak: Maybe when the parliamentary assistant has some time, he can respond. It seems reasonable. I don't see what the urgency here is that we have to have the amendments to these two particular schedules the mayor references done by the end of the day today. Bill 151, as Her Worship mentioned, is a thick piece of legislation. There are so many schedules we ran out of letters and had to go to Z.9, I believe. I'm not clear what the urgency is on particular sections, as the mayor references.

I'll ask, I guess, hoping that the parliamentary assistant responds to my initial question about tax increment financing: You had mentioned, Your Worship, that you had some concerns about cabinet's control on the TIFs and that the municipalities are not pleased with the government's approach on tax increment financing. What improvements would you suggest?

1020

Ms. McCallion: Let me give you an example: The freezing of assessment was not before the MOU. We read about it in the paper just like everybody else. The freezing of assessment affects the municipalities. We would have liked to have had input. I believe the system could have been fixed without freezing. The Ombudsman made recommendations, and MPAC could have been given the time to fix to it.

We agree with some of the changes that the Ombudsman recommended. Instead of freezing—think about what will happen, because market value assessment is the only system. It has its weaknesses. It's like democracy, but it's the best system, and in two years' time, if the economy continues the way it is, think of what the assessments will be under market value in two years. Who will take the flak? The local politicians. "Oh, my assessment's gone up so much."

Mr. Hudak: You're exactly right. In fact, conveniently, after the next provincial election, as my colleague Mr. Prue and I have pointed out, without response from the government, there will be three years of assessment increases hitting taxpayers at once.

Ms. McCallion: Exactly.

Mr. Hudak: How do you suggest we solve that problem?

Ms. McCallion: Well, they could unfreeze it and get on with it. It's quite simple. You know, if something's wrong with the system, you fix it; you don't freeze it.

Remember when the previous government capped the industrial commercial taxes? It will take us 10 years to get out of that.

Mr. Hudak: You like just the straight assessment system.

Ms. McCallion: Yes, and that will be the same with the assessment. It will take us quite a few years to calm down the public when we go back into market value assessment two years from now. No discussion, no input from the municipalities that will be affected; it didn't go to the MOU.

Mr. Hudak: So the government is in violation of its own legislation with respect to the MOU? You had mentioned the assessment changes, and you also had mentioned that tax increment financing had not been brought forward to AMO—

Ms. McCallion: No, and there are a few others. There's one on handling grow houses.

Mr. Hudak: Right.

Ms. McCallion: We got a conference call. There is an agreement signed by the government that says that any legislation that goes into the House that affects municipalities will be brought before the MOU, not that they may listen to us, but we have the opportunity to express our concerns. Who? The people who are affected by the legislation.

The Chair: Thank you, and thank you for your presentation before the committee.

Ms. McCallion: Thank you.

GREATER TORONTO
HOME BUILDERS' ASSOCIATION—
URBAN DEVELOPMENT INSTITUTE

The Chair: For the committee's information, our next presenter has cancelled. I would call on the Greater Toronto Home Builders' Association/Urban Development Institute to come forward, please. That would be number 3 for the committee. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that, and I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Neil Rodgers: Good morning, Mr. Chairman and members of the committee. My name is Neil Rodgers and I am the vice-president of policy and government relations at the Greater Toronto Home Builders' Association—Urban Development Institute, which is the newly merged association of the former GTHBA-UDI Ontario. We are pleased to present our comments on Bill 151, the Budget Measures Act.

We note that the bill seeks to amend various pieces of legislation and implements a number of policy measures iterated in the 2006 provincial budget. Of significant note was the TTC subway extension to York University and ultimately to the Vaughan Corporate Centre. We acknowledge that this capital project is an important infrastructure element to support the greater Golden Horseshoe's growth plan, and we are therefore supportive of Bill 151's attempt to move this project forward.

Of particular interest to the industry on this bill are the proposed changes to the Development Charges Act found in schedule H. The amendments propose two main changes: First, the bill will eliminate the historical level

of service average over the previous 10-year period, traditionally looked to in order to calculate a development charge; and secondly, it proposes to exempt the Toronto-York subway extension from the 10% municipal copayment for certain services.

We are not necessarily opposed to the two main changes. We acknowledge that the elimination of the 10% municipal copayment for the Toronto-York subway extension is consistent, as per the current Development Charges Act, with other hard services, such as roads and bridges.

We acknowledge that the subway extension is a long-term capital project, similar to roads and bridges, and should not be based on a 10-year capital program. A longer period is essential to fully recognize the life cycle of such projects and amortize the asset value accordingly.

Although we acknowledge that the proposed changes to the Development Charges Act are specific and narrow in nature, focusing only on the need for Toronto and York region to finance the subway extension, it does not, in our respectful opinion, address a number of the significant structural problems that the industry has consistently faced in discussions with municipalities in development charges.

Since the introduction of Bill 151, we have met with Ministry of Finance and Ministry of Municipal Affairs and Housing staff to address our concerns and presented a number of recommended amendments to the bill. For your reference, in the material we have provided, we have attached correspondence that we have sent to the Ministers of Finance and Municipal Affairs. In addition to that is an accompanying chart that provides additional specific detail and presents our full set of recommendations, which we believe will add value to the proposed amendments to the Development Charges Act through this bill.

In essence, we are looking to ensure that the principles of fairness, transparency and accountability are the foundations of this bill. Furthermore, we submit that this legislation must address consistency and certainty. Combined, these values, when properly addressed through this bill, should correct any unintended consequences of past drafting of the Development Charges Act.

One way to ensure accountability and transparency would be to have the transit DC collected proportionately on the basis of expenditures meeting the project's capital plan. In this way, a municipality can only collect what it will spend. This is the method currently used and supported by the region of York for the collection of their transit charge in their development charges background study. By incorporating such language in the bill, the province will ensure that taxpayers, future homebuyers and businesses will be safeguarded from making expenditures and development charge contributions for capital works that are not approved or being constructed.

We recommend that the historical service level approach be maintained and not necessarily amended in this bill. However, based on our proposal, Toronto and York region can continue to be able to collect develop-

ment charges under the old regime, up to the historical service level, but based on a longer-term projection. In this, we recognize that transit is a long-term capital facility and deserves to be planned and amortized for a period longer than 10 years, which is currently mandated in the Development Charges Act.

To ensure certainty, we recommend two measures: first, that the historical service level be calculated on a combined population and employment basis; and secondly, that the growth-related costs be split between residential and non-residential uses proportionately, and that these uses be measured and mandated by regulation.

To ensure a consistent approach in applying the above, we suggest that the population and employment estimates to 2031, found in schedule 3 of the Golden Horseshoe growth plan, be utilized for this purpose. Using these figures on a consistent and go-forward basis will eliminate the traditional disputes that the industry has had with municipalities when reviewing population and employment forecasts.

Ensuring certainty would require the government to re-examine the definition included in Bill 151 for the subway extension. In its current form, the definition, in our submission, is too open-ended and may allow for the collection of development charges unrelated to the intent of the bill. Particular attention must be paid to the following phrasing, which is in the bill: "and works and equipment directly related to that extension."

It is conceivable that, under this definition, the capital costs collected through development charges may exceed the commitments made in the 2006 provincial budget. We submit that the province must take a much more concerted and proactive effort to ensure prudent municipal conduct by following a similar approvals process to that used in the Education Development Charges Act.

GTHBA-UDI recommends that an appropriate amendment to the bill be made in order that the Minister of Finance approve the development charges background study prior to its being approved by municipal council.

1030

The protection of homebuyers is also of utmost importance to the industry and, we would hope, shared by the province. In order to safeguard those who have already entered into purchase and sale agreements, we recommend that a phase-in period for the imposition of a transit development charge be made. It should be applied equally over a minimum period of one year to a maximum of five years, and this should be explicitly stated in legislation and regulation.

Lastly, we recommend that an amendment to the bill be included, which would include a proclamation order that would allow schedule H of the bill to come into force at a later date, as opposed to at royal assent. This will permit the government to work in partnership with our organization, the city of Toronto and the region of York in formulating the regulations that, in our respectful opinion, would add clarity and value to the bill.

In its consideration of Bill 151 and the proposed amendments to the Development Charges Act, we are

looking to the province to be supportive of the development industry and its continued economic prosperity. By doing so, the province also benefits by ensuring that vital social services, health care and quality education are provided to all Ontarians.

We are supportive of the government's attempt to implement transit infrastructure, and we are just as anxious to see shovels in the ground for the subway extension. Creating this enabling piece of legislation moves this vision forward, and we are prepared to work with the province on the related regulations. Upholding the principles of fairness, accountability, transparency and certainty will almost certainly keep the project's plans on track and will also ensure the protection of taxpayers.

Thank you, Mr. Chairman. I'd be happy to answer any questions.

The Chair: Thank you. You referenced that some material was presented to the committee. We have not received that.

Mr. Rodgers: It's here.

The Chair: Okay. The clerk will make sure that everyone gets it.

This round of questioning will go to the NDP.

Mr. Michael Prue (Beaches-East York): I wish I had seen that, because you were speaking very rapidly and it was hard to follow everything you said, but I tried my best.

You were in the room and heard the mayor of Mississauga and her discussion of her municipality and literally every other municipality in Ontario being left out. You remain supportive of this. How do you propose that this committee or the government deal with all the other municipalities that are not getting the same largesse?

Mr. Rodgers: This bill presents an interesting dilemma, because equally, other major transit infrastructure was announced in the budget: the Brampton and Mississauga projects respectively. You'll have to ask the government why they chose this particular project to be included in this bill. Quite frankly, the comments we raise herein are suggested amendments and regulations that would apply equally if there was a broader review of the Development Charges Act, and that certainly is within the purview and right of the government to open up.

Mr. Prue: What you're saying, of course, is true. But I'm curious because you've come out fairly strongly in favour of something which, if you don't live in Toronto or York and you're not going to be close to the extension of that subway system, I'm just—

Mr. Rodgers: We spoke to the project—

Mr. Prue: I always thought you represented a much broader area.

Mr. Rodgers: We spoke to the project that was contained within the bill. We weren't about to advocate broader for municipalities on their transit projects. I'm not quite sure that Mayor McCallion and other members of AMO would be particularly responsive and supportive of the ideas we've put in our submission. If we had a

much more fulsome discussion, we could have that conversation.

Mr. Prue: Toward the end, you talked about having, I think you said, a procurement order.

Mr. Rodgers: Proclamation order.

Mr. Prue: A proclamation order. Okay. I just wrote down "proc" and I couldn't figure out what it was. I take it that you do not believe the government should proceed immediately with this plan, that it's premature at best?

Mr. Rodgers: It's an enabling piece of legislation. There are a number of regulations that the government may be interested in talking to us and to Toronto and York about, but the way the bill is worded now, it comes into effect upon royal assent. We know for a fact that the region of York and Toronto are actively working on their background studies. York is wanting to bring theirs forward as early as February. Quite frankly, it would be premature to bring that background study forward if the province was motivated to pursue regulations. That would really clarify for both the industry's sake as well as that municipality's the ground rules on how to go forward in the development of their background study and development charge.

Mr. Prue: You talked about recognizing historical service levels, and then you tied that in with a split in payments between residential and non-residential properties. Who, in your opinion, should determine the historical service level? I wasn't clear, from your statement, who would determine that.

Mr. Rodgers: The historical service level average is a method and a measure that is already a part of the Development Charges Act. There's a lot of work that's been done, and it's a good body of work that people generally agree with. Where we've come into dispute with municipalities from time to time is how you actually calculate that. The reason York region is getting an exemption is that they do not have a level of service for a subway project for the previous 10 years because they don't have one. Toronto has a very long history by which they can measure the level of service.

Other municipalities that are implementing bus rapid transit systems, light rail transit systems etc. haven't had that, and so the municipal sector is not wrong in their request that this particular area be reviewed, and they've historically had significant concerns with this section. We're saying it needs to be recognized as we move into more forms of rapid transit, but we want to set the ground rules clearly; it can't be a wide-open process. That's really what we're asking for in our amendments.

The Chair: Thank you for your submission.

CANADIAN PUBLIC ACCOUNTABILITY BOARD

The Chair: I call on the Canadian Public Accountability Board to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I

would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Gordon Thiessen: My name is Gordon Thiessen. I'm the chair of the Canadian Public Accountability Board. With me is Keith Boocock, the CEO, and Linda Dundas, vice-president.

I would like to thank you for the opportunity to provide input to Bill 151, and in particular to the proposed Canadian Public Accountability Board Act. The introduction of this legislation granting CPAB, as we call ourselves, a statutory basis is an important milestone for us. It's the culmination of three years of effort to complete the original framework that was put in place when CPAB was set up. That framework was innovative, pragmatic and expedient, but it didn't give CPAB all the tools we need to effectively carry out our mandate on a sustained basis.

We're very grateful to the authorities in Quebec, which was the first province to pass legislation granting certain powers and immunities to CPAB. But their legislation, Bill 7, is unlikely to serve as a model for other provinces because of the unique legal and regulatory framework in Quebec.

We would like to think that the Ontario legislation could serve as a model for other provinces so that we could achieve a sound statutory basis right across the country.

We'd like to thank Minister Phillips for championing this initiative and for all the work that he and his officials have done in considering the issues and drafting the bill.

1040

The Canadian Public Accountability Board was created to oversee auditors. We were part of a package of investor confidence initiatives following the scandals of Enron and WorldCom and the demise of the accounting firm Arthur Andersen. We commenced operations just over three years ago, on October 1, 2003. Since then, we have conducted three rounds of inspections of Canada's six national audit firms and of a significant number of smaller audit firms. We have made many observations and recommendations to these firms to bring about more effective audits of public companies and other reporting issuers. In some cases we have imposed requirements and restrictions to correct more serious issues that we identified, and we've terminated the participation of two audit firms. We've issued three public reports on the results of our activities, and we're preparing to issue a fourth. We've signed a co-operation agreement with our American counterpart, the Public Company Accounting Oversight Board or PCAOB, and we've conducted a number of joint inspections with them. We're active participants in the International Forum of Independent Audit Regulators and have earned respect internationally as one of the most advanced auditor oversight agencies.

In our three years of inspections, we've already seen a marked improvement in the internal quality controls at accounting firms and in the quality of the public company audits of their clients. By developing and implementing a rigorous program of inspections of auditors

of public companies and promoting the importance of high-quality auditing, we believe we've contributed to the credibility of Canada's capital markets by making financial reporting more reliable.

We believe that the Canadian Public Accountability Board is a success story, not only for our achievements but for the pragmatic and collaborative way in which we were set up. When the accounting scandals came to light in 2001 and 2002, the Canadian authorities had to act very quickly to address concerns among investors about confidence. The creation of an auditor oversight agency in Canada, however, posed a challenge, because accounting and securities matters are a provincial jurisdiction, but we needed a national solution. As a result, Canada's regulatory authorities got together, formed a body called the council of governors and set up CPAB as a private, not-for-profit corporation.

That council of governors is comprised of representatives of the securities commissions, the superintendent of financial institutions and the Canadian Institute of Chartered Accountants. Together, they function as an effective oversight mechanism for us. They appoint the directors, they appoint the chair of CPAB, they approve any changes to our bylaws, they conduct an annual review of our activities, and we include their report in our annual report. We obtain our authority from the securities commission through national instrument 52-108, which took effect in March 2004. Essentially, it requires auditors of public companies to submit to the oversight of CPAB. We are a national agency operating under provincial authority.

However, that original legal framework was a short-term solution, and it's got certain shortcomings that need to be addressed. These shortcomings relate to the need for immunity from prosecution for directors and staff who are carrying out CPAB's mandate in good faith. We need access to private and legally privileged information if we're going to carry out our inspection process. It follows from that that we need protection from subpoenas. Bill 151 effectively addresses all of CPAB's requests. It builds on CPAB's existing accountability framework, and it recognizes and formalizes the role of the council of governors as the body responsible for assessing our performance. It's a stand-alone act that recognizes CPAB as an independent national entity. But it also includes important safeguards for private, confidential and privileged information. We feel that the bill addresses our concerns and, importantly, establishes a sound model for other provinces to work from.

There are, however, two aspects of the bill that we think could raise some problems of interprovincial coordination, where some adjustments would be desirable. There is a provision in subsection 16(c) that gives the minister authority to make regulations "prescribing rules in relation to the oversight program of the board and providing that they shall be deemed to be rules of the board."

This is very broad wording and extends to our entire oversight program. If there were to be a similar provision

in legislation in other provinces, where each responsible minister could second-guess and potentially override CPAB's inspection program, it would make our task impossible.

We also have similar concerns about subsection 7(2), which effectively allows the minister to veto any new or amended inspection rules that we want to put into effect. Once again, a similar veto provision in other provinces could result in delays and in an unworkable patchwork of different rules.

To overcome these problems and ensure that they don't undermine our ability to function effectively and efficiently as a national oversight agency would require a level of very close interprovincial co-operation, a level that is hard to imagine. It would be better, from our point of view, if these subsections of the bill could be revised. In particular, paragraph 16(c) could be restricted to making regulations only with respect to issues of procedural fairness in the way CPAB deals with registered audit firms in Ontario rather than to our whole inspection program. Perhaps 7(2) could be made to work if, after a new CPAB rule had gone through the usual due process, the minister could only request reconsideration of the proposed rule within a specified period of time. I believe that there are ways of dealing with this that could make this work for us.

I also want to mention very briefly the question of legal privilege, because I understand that there are some concerns that have been raised about CPAB accessing privileged information.

First of all, Bill 151 specifically sets out a very limited scope for CPAB's access to privileged documents. Subsection 11(1) provides that "the board may require a participating audit firm to provide it with all the documents and information that the audit firm obtained or prepared in order to perform the audit firm's audit of a reporting issuer...."

Essentially, we are only talking about access to documents in an audit file. It's also important to emphasize that CPAB can't use privileged documents for any other purpose. We've got to follow strict confidentiality obligations. There are other sections in the act which protect us from revealing information under subpoena and further limit access by the council of governors or the securities commission. Any fear, therefore, of misuse of privileged information or loss of privilege, I believe, is unfounded.

If CPAB is going to carry out its mandate effectively and assess the quality of audit work performed by auditors, it's absolutely necessary for us to have access to all of the information used by the auditor to verify the reporting issuer's financial statements. There have been instances over the past three years when access has been denied to us, although it has been provided to our American counterpart, the PCAOB, because they have a statutory basis under Sarbanes-Oxley. That's just not acceptable. It undermines our credibility, and it has prevented us, in certain circumstances, from completing inspections, and we've reported that in our public reports.

What Bill 151 effectively provides is a limited waiver of privilege that would allow us to carry out our mandate of promoting the reliability of financial statements, and that is in the best interests of the reporting issuers and their shareholders.

Finally, because we hope that other provinces are going to follow Ontario's initiative, we want to stress once again the crucial importance of a co-operative process among provinces to ensure that the end result for CPAB is consistency across the country in the application of our rules and an ability to carry out our mandate effectively on a national basis.

Thank you. We're open to your questions.

1050

The Chair: Thank you. This round of questioning will go to the government.

Mr. Arthurs: Mr. Thiessen, thank you for your presentation this morning, as we have had the opportunity to do to each of those who have presented to us so far and as we will do as we move forward.

I can tell you that I'm sure that Minister Phillips is particularly pleased with this legislation and certainly with the response in general from CPAB. Clearly, it's his objective in the longer term, as I understand it, to see a common regulatory framework for securities. To the extent that you see this as a potential model that could be adopted by other jurisdictions in whole or in part, distinct from Quebec, I think is an important acknowledgement for the work that he has been doing and certainly will lend support, I believe, to his efforts more broadly.

You've identified, clearly, a couple of issues. I was interested in the quick response—and maybe just elaborate for me quickly on that—that a private not-for-profit organization managed to pull together, if I can phrase it in that way, given the professional expertise that's there, following the disruption in the economic environment in 2001-02. How were you able to achieve that as readily as you were? In relative terms, this is a quick turnaround process compared to other activities of a similar nature. What drove you to this in that sense and what were the support mechanisms that helped you to achieve the outcomes as quickly as you have?

Mr. Thiessen: Well, thank you. What allowed us to do this so quickly was that our first CEO, who sadly has died recently, managed to pull together just a remarkable group of very senior auditors who were very committed to this. Keith Boocock was one of them, who has now become our CEO. They were committed to this idea. They understood how important it was, after these scandals, to ensure that audits were done to the highest quality. What they did was they put together an inspection framework quickly that was of remarkably high quality and went out within six months and did a thorough inspection of the four largest accounting firms. We have managed to do that with a remarkably small number of people. We are at the same level of operation as our American counterpart, who must have 10 times as many people as we have.

This is really quite a remarkable achievement. I'm the part-time chairman; I can't take any credit for this. But I

tell you that the group that was put together by David Scott and is now managed by Keith Boocock has just done something which is nothing short of amazing, something that I think we should all be proud of. It was put together by this set of regulatory authorities essentially operating under provincial jurisdiction but acting as a national body. This is the kind of thing that is so important. I think we're a real success story from that point of view.

Mr. Arthurs: Thank you for that. I note the nature of the amendments or modifications you might suggest. I think the government difficulty is that on the one hand we want to ensure that we are providing a model for others. At the same time, there's a need for government, in something that's relatively new to us, to protect its interest by virtue of the minister having some control and can't be in a position where we have to accommodate other jurisdictions that may come onside in the event that they choose some other modest model. I appreciate the comments. I know the minister's staff are here in that regard and they've noted the comments you've made as well as your submission. Thank you for your presentation.

Mr. Thiessen: Could I just say how crucial it is for us to get other provinces on side? I mean, we cannot operate just with this Ontario legislation. We are national, so we need legislation elsewhere. It's why it is so incredibly important for this legislation to operate in a co-operative way so that it can work with other legislation. The moment we've got different rules and different regulations in different provinces, it will be impossible for us to inspect the large audit firms, which are national and which operate right across the country.

Mr. Arthurs: I can only suggest in the last few seconds that you have a champion in that regard in Minister Phillips. He has been pretty clear on the securities front and I think it's reflective of this initiative legislatively as well.

Mr. Thiessen: We appreciate that.

The Chair: Thank you for your presentation.

ADVOCATES' SOCIETY

The Chair: I call on the Advocates' Society to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Michael Barrack: My name is Michael Barrack. I'm the president of the Advocates' Society.

Thank you, Mr. Chair and members of the committee. We're going to be addressing the solicitor-client privilege issue that you just heard about. I preface my remarks by saying that the difficult policy choices are never between good and bad but between good and good, and you've got a classic situation of good versus good here. You may have some unintended consequences in the legislation that you are not aware of.

By way of background, the Advocates' Society is an organization with over 3,400 members. We're primarily

lawyers, there are some judges as well, who practise before courts and tribunals. We lobby from time to time with respect to justice issues and issues that are of concern to our members.

We're pleased to have the opportunity to make the submissions regarding the effect of the proposed Canadian Public Accountability Board Act. This is schedule D of the bill that's before you. I'll be referring to the act when I refer to it as "that act."

As you're aware, section 3 authorizes the board to maintain a register of public accounting firms that audit reporting issuers and to oversee the audit of financial statement of reporting issuers. In conducting those tasks, the board is authorized to conduct inspections of participating audit firms. In conducting those inspections, it has the ability to call for documents or to collect documents. I think that there's a problem in the legislation that occurs in subsection 11(1).

Subsection 11(1) of the legislation reads as follows, and it's section 11 of the act, which is in schedule D to the bill. So if people have it, they may want to turn it up. It says:

"11(1) The board may require a participating audit firm to provide it with all the documents and information that the audit firm obtained or prepared in order to perform the audit firm's audit of a reporting issuer"—then these critical words—"and that,

"(a) in the case of a reporting issuer to which the Business Corporations Act applies"—the first category is what the company, reporting issuers, are required to give under the Business Corporations Act.

In the second category:

"(b) ... are required to be supplied by the reporting issuer to the auditor under the laws of the jurisdiction under which it is incorporated...."

So the first question of interpretation that arises when you read subsection 11(1) is: In the two categories, (a) and (b), following the general language in the beginning of subsection 11(1), are we talking about a new category of documents or are we talking about an additional requirement that applies to the general words at the beginning? I'll come back to that in a minute.

Whatever this body of documents that the auditors are required to produce, they have to produce them notwithstanding that they might be subject to solicitor-client privilege. That's made clear by subsection 11(4), which reads:

"(4) A participating audit firm that is required under subsection (1) to provide information or to produce documents shall comply with the requirement even if the information or documents are privileged or confidential."

That is a remarkable piece of legislation, in light of what our courts have said about solicitor-client privilege.

I'm just going to read you a couple of things the Supreme Court of Canada has said about solicitor-client privilege. They say: "Where the interest at stake is solicitor-client privilege, a principle of fundamental justice and civil right of supreme importance in Canadian law"—the usual balancing exercise referred to above is

not particularly helpful. This is so because the privilege favours not only the privacy interests of the potential accused but also the interests of a fair, just and efficient law enforcement process. In other words, the privilege, properly understood, is a positive feature of law enforcement, not an impediment to it. I've given you some other quotes in the paper, but very simply, the reason the courts take that position is because the reason we grant solicitor-client privilege is so that people will go out and consult lawyers and obtain legal advice to understand what their obligations are under the law. When they do that, they will tell their lawyers everything and make complete disclosure to their lawyers, and their lawyers will tell them how to comply with the law in the circumstances.

1100

Let's go back to section 11(1), and let's think about this category of documents. If an audit firm in conducting an audit has a difficult issue that it's trying to resolve—and the issues where you're trying to protect the public will be difficult; simple audits won't be a problem—and the auditor itself wants to go out and seek legal advice and obtains legal advice in the course of preparing that audit, is that legal opinion subject to production? What the previous speaker just said is, "We want everything in the audit file." So perhaps the previous speaker and the people who framed this act are thinking that that document will not be producible, and that that may be the proper way to read 11(1), but it's not clear. Let's read those words and see if that document would be producible:

"The board may require a participating audit firm to provide it with all the documents and information that the audit firm obtained or prepared in order to perform the audit firm's audit of a reporting issuer...."

So if it obtained a legal opinion in performing that audit, that would be subject to solicitor-client privilege. And I submit to you that that's not what is intended. It goes on to say that it is required to be produced to it. If it was limited to those documents that were produced by the audit client, then the legislation, on one level, would be less offensive, and you may be able to cure that by some drafting changes to 11(1).

The second concern is with the scope of the solicitor-client privilege. It applies to everything in the audit file, as the former speaker just said. When you take the time to read the cases and the very short quotes from the cases that I've put out in the written material, what you'll see is that the courts have been very reluctant in Canada to give that kind of blanket waiver of privilege. They have required it to be much more limited and much more focused. That is because policy choices between good and good are difficult to make. They require a balancing of interests.

In our submission, what we say this legislation should do is, first of all, clarify what documents are being referred to under 11(1). Secondly, we would suggest that to the extent the board requires documents that are covered by solicitor-client privilege, it be required to demonstrate the need for those. There may be cases where the balanc-

ing of the interests will apply. There may be many solicitor-client documents that they have been given access to or that the company is prepared to produce, with a limited waiver for that purpose, but that have no relevance whatsoever to the work the board is doing. There should not simply be a blanket waiver for those cases.

I understand that this is not intuitive stuff, that you're focused on the good of trying to clean up financial statements, and I'm not derogating at all from the fact that what you're trying to do is promote one good. But we would caution you to take advice, to read the paper, to listen to the submissions of others, and to make sure that in your pursuit of a particular good, you're not trampling on another good and creating unintended consequences.

Thank you. Those are my submissions, subject to any questions you might have.

The Chair: Thank you very much. This round of questioning will go to the official opposition.

Mr. Hudak: Mr. Barrack, thank you very much for your presentation and your suggestions for the committee.

I might just ask a quick question of the parliamentary assistant: Is it the government's intention to bring forward changes to schedule D and make this debate moot?

Mr. Arthurs: My understanding is that government is working on an amendment to bring forward before the deadline. I'm not aware of the specific wording, but there is some work currently going on, and ministry staff are here so that they have the benefit of these presentations in the finalization of those words.

Mr. Hudak: I appreciate that. What I might suggest, through you, Chair, is that I know we had one cancellation. We have some time before lunch, and staff is here, which is very kind; they've taken the time. Perhaps they could come forward after we've heard from the OBA, the next delegation, and just talk about and respond to the concerns brought forward by Mr. Barrack and those that will be brought forward by Mr. Morton shortly. I know the ministry is very well aware of these concerns. I think it would help the committee and help us in opposition, as we craft amendments, if the ministry is already planning to solve this issue or not.

Mr. Barrack, you had talked about a—

Mr. Barrack: Just on that point, we're willing to discuss with ministry staff when we leave today; they know how to get hold of us. If they want further input on drafting our mechanisms, we're happy to provide it to them.

Mr. Hudak: The challenge we have is that the amendments have to be filed immediately after the OBA discussion, and then we have to vote on them by the end of the day today.

Mr. Barrack: Okay. That's fine. We'll make ourselves available today, if need be.

Mr. Hudak: Perfect.

You had talked about a limited waiver, a limited access to documents subject to solicitor-client privilege. What would be the mechanism to determine whether that

access should be granted under your limited waiver suggestion for 11(4)?

Mr. Barrack: Probably an application to a single judge of a court somewhere.

Mr. Hudak: Is that reasonable? Will that cause undue delay? Will CPAB have strong concerns about that, do you suspect, or is that reasonable?

Mr. Barrack: I think it's reasonable in the circumstances because what you're doing is engaging in a forensic exercise. This isn't real-time review or real-time litigation that's going on. I presume that what the board is doing is looking at a situation where there's been an absence of disclosure. Where the board is going to function is where there's been improper disclosure, or an allegation or a concern about improper disclosure. They want to get the file, and if they can simply, just like in any search warrant-type procedure or any investigatory procedure that requires a balancing of interests—we have it in all kinds of legislation, where you have to go and get some sort of authorization. And it could be to any level of court you want to put it to, where they just simply go and seek that authorization.

Mr. Hudak: So that's commonplace, that type of procedure.

Mr. Barrack: Yes.

Mr. Hudak: On 11(1), you had given some good advice on clarity in terms of documents that the audit firm, subject to CPAB's investigation, would have received. Have you given a suggested amendment to the legislation to ministry staff already?

Mr. Barrack: No, we have not.

Mr. Hudak: Have you had a chance to raise this with them?

Mr. Barrack: No, we haven't. We've been running to catch up with your parade. I marched in the Santa Claus parade as a clown on the weekend and have had other things on, so we're catching your parade and kind of doing this in real time.

Mr. Hudak: I know staff were listening attentively to Mr. Barrack's presentation on clarity as to what would be subject in 11(1): Would it be the audit firm that has sought the privilege or sought the advice, or the firm that was subject to the audit review? But I appreciate those points.

One of the amendments the official opposition is looking at is trying to create some process to make sure that we actually get good advice. This is a major change. Ontario would be the first province outside of Quebec, within our system of law, to bring in a legal framework for CPAB, and I think we want to make sure we have the time to get it right. Do you see any reason why this would have to be done by the end of the day today?

Mr. Barrack: I'm not a legislative expert, so I'll leave that to the legislative experts. This is a world that I'm unfamiliar with.

Mr. Hudak: Then I'll give notice to the parliamentary assistant. I think we're trying to help with some mechanism so we could have proper review to make sure that CPAB could go about its important duties, but at the

same time that there would be proper due diligence and respect over solicitor-client privilege. I think we could probably achieve some balance; it just may take a bit more time than we've been allocated today.

Were there other aspects of schedule D that you had a concern with, aside from 11(1) and 11(4)?

Mr. Barrack: No. We're restricting our comments to those.

Mr. Hudak: That's my request, Chair: just in the additional time we have before us before noon, if ministry staff would be kind enough to comment on the presentation by Mr. Barrack and the next presentation by the OBA, because perhaps the concerns are already being solved in the amendments the government is going to table later on today.

The Chair: Thank you for your presentation.

1110

ONTARIO BAR ASSOCIATION

The Chair: I call on the Ontario Bar Association to come forward. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. James Morton: Thank you, committee, and thank you for allowing us to speak to you today. I am James Morton. I'm president of the Ontario Bar Association. Joining me today is David Sherman from the Ontario Bar Association's tax law section executive.

Our submission today is broken down into two parts. First, I will be discussing some of the serious concerns that the OBA has with respect to the provisions in schedule D that erode solicitor-client privilege. Our written submissions also deal with questions of disclosure. In the interests of time, I'll not be speaking on that matter. Second, my colleague Mr. Sherman will discuss the value of providing taxpayers with an appeal mechanism should disputes over assessments go unresolved for a period of time.

At the outset, let me provide a little bit of background on the Ontario Bar Association. We are the largest voluntary legal association in Ontario and we represent 17,000 lawyers, justices, law professors and law students.

Bill 151, the Budget Measures Act, 2006 (No. 2), provides, in our view, for a much-needed regulatory framework for the Canadian Public Accountability Board, which I'll call CPAB. This is groundbreaking legislation which no doubt will be replicated by other provinces in short order and may well open the door to discussions on the need for a single national securities regulator. Many of our member firms are multi-jurisdictional across Canada, and the OBA would welcome participating in such a dialogue.

Having said that, as Mr. Barrack has just noted, the pressing matter at hand, from our standpoint, is solicitor-client privilege. Solicitor-client privilege is a fundamental principle for the effective operation of the justice system. As earlier speakers have noted, solicitor-client

privilege is a principle of fundamental justice and has been given constitutional protection by the Supreme Court of Canada and, of course, the Ontario Court of Appeal.

While many of our issues have been addressed in the existing provisions of the proposed legislation, we continue to have significant concerns relating to subsection 11(4), requiring a participating audit firm to provide information or documents to the board even where that information or documents are privileged.

The principle of solicitor-client privilege has been held by the courts to be essential, and while subsection 11(5) recognizes this principle, at least to a degree, we believe the onus must rest on CPAB to demonstrate absolute necessity to the courts. Police, who are given the right to use force to enforce the laws of Canada and Ontario, still have to get a court order if they are going to take solicitor-client privilege documents, and we see no reason why CPAB should be held to a lower standard.

Accordingly, we would recommend that the legislation require CPAB to attempt to obtain consent or waiver in order to access privileged information from the person or entity whose privilege is involved, and if no consent or waiver is offered or provided, then CPAB be required to obtain a court order prior to accessing such information. We also suggest and recommend that such requirements be subject to a review after two years to ensure that they are not, in fact, preventing CPAB from carrying out its mandate. Accordingly, we would strongly urge this committee to amend subsection 11(4) to require, absent consent of the party holding the privilege, a court order in which CPAB be required to demonstrate absolute necessity to obtain any documents which are subject to solicitor-client privilege. We also suggest that there be a sunset clause on this particular part of the legislation so that a review can take place after two years.

At this point, I would hand the presentation over to my colleague Mr. Sherman to discuss the taxation matters.

Mr. David Sherman: Thank you. Mr. Chair, committee members, my name is David Sherman. I'm a tax law specialist. I'm on the executive of the tax law section of the OBA.

I'm here to speak about the proposals in Bill 151 to amend seven tax law statutes to deal with the appeal mechanism. As you may know from reading those provisions, what they provide is that rule 14 will not be able to be used to go to the courts to get an answer to a tax problem, and that's because the appeal mechanism is supposed to be used. Ontario follows the same system the federal system follows. There's a mechanism for filing what's called a notice of objection, and that's dealt with administratively within the ministry offices by the appeals branch. If one is not happy with the result, then there's an appeal mechanism to the court, which in Ontario is the Superior Court of Justice, and that's all fine. The problem is that the Ontario Ministry of Finance appeals branch is backlogged and understaffed and they don't get to appeals very quickly. We've seen one figure that was quoted in the courts not too long ago of 17

months as an average for the objection to be considered. Certainly I've heard lots of stories of it taking years and years for objections to be resolved.

This is compounded by the problem that when a tax assessment is issued, the ministry has the right and does proceed to actually collect the tax. So there's an administrative decision made that a taxpayer under any one of these statutes, whether it's corporations tax, fuel tax, employer health tax, whatever it is, that the taxpayer owes tax, the ministry issues an assessment, the taxpayer has to pay that assessment, and if they don't, the ministry can go in without any court action and simply seize money out of the taxpayer's bank account under the garnishment provisions. All of that's well established, but there's no mechanism for the taxpayer to appeal unless that objection is dealt with.

Now, some taxpayers had creatively found a way to use this rule 14 to go to the courts and say, "Well, can we at least get a ruling on a point of law and then at least we can go back to the ministry with that?" That's what this bill is stopping. It's going to say, "You can't do that any more," which is fine because there is an appeal mechanism and you're supposed to use the appeal mechanism.

Now, federally, and certainly some of the other provinces—I haven't looked at all of them, but Quebec and Alberta certainly do and it's well established federally that once you file an objection, if it's not dealt with in a timely manner, and it varies between the statutes as to whether that's 90 or 180 days, but if it's not dealt with in a timely manner, then you have the right to go to court and file your appeal. There is no right to do that in Ontario right now.

What we're asking is that while this amendment to prevent rule 14 from being used is fine, we would ask that at the same time a simple amendment be made to each of the seven tax statutes so that that mechanism for appeal is there and it would match what's available federally. That's the essence of our presentation.

The Chair: Thank you very much. This round of questioning goes to the NDP and Mr. Prue.

Mr. Prue: I'd like to go back to the whole issue of CPAB. We heard Mr. Thiessen here today saying in some considerable detail how he and his organization have spent the last three years to get the amendments and the necessary approvals from government to go in the direction. You've shown up, I guess, at the 11th hour to say not to give it to them. Have you had discussions with CPAB or have you just seen for the first time the proposed recommendations?

Mr. Morton: We've not had discussions with CPAB. We have had some discussions with ministries. The legislation in this particular aspect when it came to us was something of a surprise. Our discussions with the ministry had seemed to suggest that there may be ways to amend the legislation that would meet the concerns raised. One of the points which is troubling is that if the legislation were to go through without the amendments, in our view it might well be subject to a court challenge and would be amended in effect by the courts.

Mr. Prue: Your second recommendation I'm not clear on, because I read it and I can read it two or three different ways, that "such requirements be subject to a review after two years have elapsed to ensure that they are not preventing CPAB from carrying out its mandate." Are you suggesting that the government proceed with the legislation and then review it to make sure that CPAB's not overstepping? Or are you saying that they don't do it and then CPAB that come back two years from now? It was the second one, I think.

Mr. Morton: Yes. If it was unclear, I apologize for that. Our proposal would be to put in the requirement that a court order be obtained, absent consent, and then after two years, if this does prove to be a true drag on CPAB, that the matter be reviewed and reconsideration given.

Mr. Prue: You're suggesting they don't get it, but two years from now, if it's a drag, then they come back?

Mr. Morton: Precisely.

Mr. Prue: Those are all my questions. Thank you.

The Chair: Thank you for your presentation before the committee.

Mr. Morton: Thank you so much for seeing us today.

The Chair: I'd like the committee's attention. We had an association that, my understanding is, cancelled and now has had second thoughts and wants to present. I'd appreciate a motion seeking unanimous consent to let this presentation go forward.

Mr. Hudak: I understand the group had previously requested and had sent an e-mail subsequently to say they'd like to be on. I think that's great. If they're already here, terrific. So I'd like to move that the Canadian Life and Health Insurance Association Inc. be allowed to present to the committee.

The Chair: Agreed? Agreed.

1120

CANADIAN LIFE AND HEALTH INSURANCE ASSOCIATION

The Chair: Therefore, I call on the Canadian Life and Health Insurance Association Inc. to come forward. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Ron Sanderson: Thank you very much, Mr. Chairman, distinguished members of the committee and good morning. My apologies regarding the confusion in our application to appear.

My name is Ron Sanderson, and I am the director of policyholder taxation and pensions for the Canadian Life and Health Insurance Association.

The CLHIA is a voluntary association whose member companies account for 99% of Canada's life and health insurance business, with products such as life insurance, annuities, RRSPs, RRIIFs, disability insurance and supplementary health insurance.

The association greatly appreciates the opportunity to speak to you this morning. I believe you each have a

copy of a letter from the association's president, Greg Traversy, in your materials, and I would like to review the key concern noted in that letter.

Since 1993, Ontario has charged retail sales tax on employee benefits plans—workplace plans under which prescription drug, dental and medical costs, as well as disability income benefits, are paid to Ontario workers and their families. Last year, 8,600,000 Ontarians were covered by such plans and nearly \$10 billion of such benefits were paid to Ontario residents.

How and when retail sales tax is charged on such plans varies on the basis of a number of factors, even upon the expected value of claims to be paid under the plan during the next 30 days. Let me emphasize: Not just the amount of tax, but the calculation method can depend on unknown future events.

In auditing retail sales tax returns and remittances, the Ministry of Finance has benefited from 20-20 hindsight. It has known exactly what contributions have been made and when, and what benefits have been paid and when. Employers, as plan sponsors, paying retail sales tax on an ongoing basis, based on the month-to-month variations in their plans' anticipated operations, do not have the advantage of hindsight. Where the ministry's audits have dealt with historical fact, the employers' remittances could only be based on the best estimates of expected experience. Under such a system, our shared goal of perfect compliance could only be attained by happy accident.

CLHIA member insurance companies have performed two distinct roles in this process: firstly, as service and benefit providers to such plans and, secondly, as the government's tax collection agents. Our members have been trapped in a catch-22 of not being able to comply with rules under which, for many cases, how taxes were calculated varied each month.

Over more than a dozen years, and in both of these roles, CLHIA has worked with the ministry to develop a more predictable and easily auditable means of assessing retail sales tax on employee benefits plans. Indeed, the proposals contained in schedule Z.4 of Bill 151 reflect a number of CLHIA recommendations and go a long way to removing the challenges and uncertainties of the existing assessment method.

Unfortunately, for a number of related administrative processes, the legislative proposals do not provide the clarity or certainty sought by the CLHIA on behalf of plan sponsors, and the proposed effective date for these rules, upon royal assent, may pre-empt efforts to obtain clarification of the ministry's administrative processes in order to ensure that employers can calculate and remit retail sales tax on a more reliable basis.

The association believes that the consultative process between the ministry and Canada's life and health insurers has accomplished much, but that it is inappropriate to enact schedule Z.4 without allowing that consultative process to properly address the remaining sources of uncertainty.

Our proposal is simple. We are proposing that the application of schedule Z.4 be deferred for up to two

years; that is, until the second renewal date following royal assent of any service contracts under an employee benefits plan, to enable the ministry and its stakeholders to resolve the few remaining administrative issues so that Ontario employers, as well as their employees and their families, can benefit from a tax system that works as it should: efficiently, effectively and predictably.

On behalf of the association, thank you once again for making this time at the last moment available to us. I would be pleased to answer any questions or provide further information to the committee.

The Chair: This round of questioning goes to the government. Mr. Arthurs?

Mr. Arthurs: Sorry, sir; I didn't catch your name at the beginning. I was distracted momentarily.

Mr. Sanderson: It's Ron Sanderson.

Mr. Arthurs: Mr. Sanderson, thank you very much. I certainly appreciate the deputation this morning and the capacity to be able to accommodate that with the scheduling that's currently in place. Obviously, this has been a matter that has been under deliberation, consultation and discussion for a number of years through, I guess, three parties and four governments now. I was pleased to hear that over that extended period of time, taking no particular ownership for it as a government, there has been some positive movement and some headway that has been made. All of those things are appreciated, and I hope and expect that that consultative process will continue.

I have to say that at this time, though, it's my view that the government is not in a position to make the changes at this stage today that you're making the request for, because it does have some rather significant implications if we adopt this in the legislation at this particular point in time.

If you want to provide some additional feedback, that's great, but that's kind of where we're going to find ourselves, at least on the government side at this point in time.

Mr. Sanderson: I appreciate that view. The industry, obviously, through 13-plus years has had some differences of opinion. We are, I think, 95% of the way there. We have just that much further to go. My concern is that if this is treated as a fait accompli, then getting the right fix may never happen or may happen another 13 years down the pipe, and I think Ontarians deserve better.

Mr. Arthurs: Thank you, Mr. Sanderson.

The Chair: And thank you for your presentation.

Mr. Toby Barrett (Haldimand-Norfolk-Brant): Excuse me, Chair: I appreciate the flexibility of this committee to accommodate additional testimony. An additional issue I will raise with the parliamentary assistant and the ministry staff, if available, deals with schedule W changes in this legislation to the Oil, Gas and Salt Resources Act. The decommissioning of natural gas wells is a very significant issue in much of southwestern Ontario—the Niagara and Haldimand area, primarily. Is support or are resources available to landowners and farmers through the petroleum division of the Ministry of

Natural Resources to better enable them to decommission these natural gas wells that are on their property? These are natural gas wells that have by and large been depleted or have been abandoned.

I don't know whether ministry staff are present.

Mr. Arthurs: Some staff are here. I'm not sure which staff, in the context of being able to address that matter specifically—but there are staff here who can take that back now. Normally, I think the process would be—correct me if I'm wrong—that during our clause-by-clause, it's a chance for that expertise to be brought to the table, or for me to be able to ask for that expertise to be brought forward.

I appreciate the member tabling that concern and issue, and the opportunity and the time we have available for staff to be able to have a look at that. If, during our afternoon we find that they're in a position to provide a response—I hope that they will be—we can do that during the clause-by-clause consideration.

I'm glad it's on the table, so it helps them to be able to get a little bit of time now to see that as an issue that the member would like to have a response to as early as this afternoon, if possible.

Mr. Barrett: Okay. I know it would be certainly better to hear now, if we're working on an amendment, to have the information now, but if the staff don't have the information—

Mr. Arthurs: I'm not aware, in regard to that particular matter, that there are any amendments being worked on that are being raised here by a committee member at this point in time. But, having raised it, it gives them an opportunity to have a quick look at it, and for the skill sets they have, and during our clause-by-clause, when we think that one might call upon that level of expertise that we wouldn't have as legislators, would be an opportunity for us to get a comment from them in that regard.

1130

The Chair: And clause-by-clause would be that point in time.

Mr. Hudak: An ancillary question that I think is slightly different is the schedule D recommendations. You had indicated, and I appreciate that, that the government is preparing amendments to schedule D in response to what we've heard from the Ontario Bar Association and the Advocates' Society as well. I do appreciate the briefing that we had with staff and from Craig Slater, and his team of all-stars came in to help out with that. But the official opposition is preparing amendments with respect to schedule D. It would be helpful, actually, and save us a lot of time and effort, if we understood where the ministry was going on schedule D. I know staff is here. I know that they follow this issue closely. If they could indicate in what direction the government is going in responding to the concerns of the OBA and the Advocates' Society.

The Chair: If you wish to answer, you can, but—

Mr. Arthurs: It's a bit of a dilemma, given that this was a matter under active consideration. I think staff are

in a little better position. We have experts here to provide a little bit of help to the opposition party in that regard—somewhat different from a matter that's just being raised that's new to the process. I think the ministry staff in this instance may be able to be helpful, even at this point.

Mr. Hudak: Thank you. That's very kind.

Mr. Arthurs: It's in your hands.

The Chair: So it's up to the parliamentary assistant whether he wants to move forward on this or not.

Mr. Arthurs: In our limited time, I think we can accommodate that request.

The Chair: Five minutes? And if you would identify yourself for the purposes of Hansard.

Mr. Craig Slater: My name is Craig Slater. I'm the director of legal services at the Ministry of Finance. As Mr. Hudak knows, the Ministry of Finance provides support to Minister Phillips in his responsibility as the minister responsible for securities laws.

I'd like to indicate to the committee that indeed the government has an intention of filing a government motion to amend schedule D to address issues that have been raised with the government over the last several days. In large measure, these amendments would essentially do two things. The amendments would provide that, where the board under schedule D, in this case CPAB, is requiring the production of information, if the information or the documents that are referred to under the board's requirement to produce are the subject of solicitor-client privilege, access to the information must be absolutely necessary for the purposes of the review of the audit. So, in large measure, the provision provides that the board must demonstrate that the access to solicitor-client privilege is absolutely necessary in the circumstances of the review of the audit, which is, in large measure, the legal standard that must be met in order to provide for the limited waiver of privilege.

The other amendment for CPAB addresses in part an issue that was raised by Mr. Thiessen, and that was in respect of the rule-making authority by regulation of the minister responsible. He had mentioned a concern around the effect of the rule-making authority having extra-jurisdictional effect. The government will be proposing an amendment that will make clear that the regulation-making authority is only effective in respect of Ontario, and that in essence the rules will have effect only in Ontario, so that those intra-jurisdictional concerns that Mr. Thiessen raised are answered.

The Chair: Thank you. I am not going to allow a debate on clause-by-clause consideration, but—

Mr. Hudak: First of all, thank you very much. I appreciate the parliamentary assistant's help on this. Craig, thanks again for the briefing that you led a few weeks ago.

Mr. Slater: You're welcome.

Mr. Hudak: Thanks for this response to Mr. Thiessen's concern. I think it brings a lot more clarity.

Just to make sure that I follow the language, when you indicate that CPAB, in response to the OBA and the advocates' concerns, would have to demonstrate that

access was necessary for the limited waiver—demonstrate to whom? What does that mean?

Mr. Slater: In large measure, what we've set is the legal threshold for access to the information. We need to take a practical view of it. The audit firm will have the information. The threshold will be absolutely necessary. If there's any dispute about whether or not access to that information is absolutely necessary for the purposes, then there will be access to the courts to determine that issue, as there are in all cases where the board, in this case, will be exercising its statutory power of decision, to which the audit firm will be subject. It clearly will allow the audit firm to have access to court or, in large measure, the holder of the documents to have access to court to determine whether or not the threshold has been met in those cases where there are disputes about it. There may, in fact, not be disputes.

Mr. Hudak: Fair point.

Mr. Barrack had spoken about 11(1) and definitions around access to documents—the subject firm versus the audit firm doing the review if the audit firm had sought outside counsel. Would that also be subject to access by CPAB?

Mr. Slater: All of the information, whether it be an audit firm's access to its own legal opinions or the reporting issuer's solicitor-client privilege, would be subject to the absolute necessity requirement.

Mr. Hudak: And there are no changes to that?

Mr. Slater: There are no changes to that.

Mr. Hudak: Thank you very much. I appreciate it. That was very helpful.

The Chair: We are recessed until 3:30 or following routine proceedings.

The committee recessed from 1137 to 1532.

The Chair: The standing committee on finance and economic affairs will now come to order. The first order of business I would like to address is motion 18 in your packet. I would like to rule on the admissibility of this amendment.

The motion before the committee is unintelligible and incomplete. According to Beauchesne, sixth edition, and the Marleau and Montpetit 2000 edition, amendments not in proper form are out of order and cannot be put by the Chair. I therefore rule this amendment out of order.

That being said, we can now move to your packet. The amendments are numbered. We will move to schedule A first. Sections 1 to 13 have no proposed amendments. Is there any comment?

Mr. Hudak: On your ruling on amendment 18, which I receive with regret, as I said, we had a concern about the amount of time, from the time the committee rose to the time to get amendments through, which was about 10 or 15 minutes. This was a presentation of the Ontario Bar Association, which took place around 11 o'clock. We did contact legislative counsel, who indicated that time was too tight. We then delivered it to the clerk's office as best as possible. This is an unfortunate casualty of the impossible time constraints, something that was brought forward by the OBA in terms of impacts on taxation—it

was their appendix 2. We did our best in the 15 minutes or so available to try to get this on the record.

I guess, if I understand correctly the motion brought forward in the House by the government House leader, we can't even rewrite this to make sure it's appropriate. I thought the OBA had a substantial, well-thought-out and important amendment to bring forward. Unfortunately, it has been ruled out of order simply because of form, a casualty of the 15 minutes we had.

The Chair: Are there any comments on sections 1 through 13?

Mr. Arthurs: If I could, in response to Mr. Hudak—and if I'm not in order, let me know—it's my understanding that the inclusions submitted as proposed amendments that were not in appropriate form are already matters that are included in the bill, and that effectively they had been withdrawn from it as a point of reference. But one may want to look to section G to establish that, regardless.

Mr. Hudak: So basically you're saying that the intent of amendment 18 is already reflected in the legislation?

Mr. Arthurs: I'm saying we may even find that not only the intent but the words may very well be included under the Corporations Tax Act amendment. Time permitting, you may want to have a look at that and see. You'll find it's already accomplished.

Mr. Hudak: Okay. Thank you.

The Chair: Thank you for the point of information.

Any comment on sections 1 through 13? Hearing none, all in favour? Opposed? Carried.

We'll move to section 13.1. We have PC motion number 1 in your packet.

Mr. Hudak: I move that schedule A to the bill be amended by adding the following section:

"13.1 The act is amended by adding the following section:

"Maximum increase in assessed value

"19.1.1(1) Despite any other provision of this act, the assessed value of each property for the 2008 and every subsequent taxation year shall not exceed the assessed value of the property for the 2007 taxation year by more than 5 per cent.

"Termination of cap

"(2) Subsection (1) continues to apply to each property until such time as the property is transferred to a person other than a spouse or child of the person who owned the property on January 1, 2008."

The Chair: Comment?

Mr. Hudak: This reflects the principles of the Homestead Act, which was my private member's bill that received support from Liberal members—

Mrs. Carol Mitchell (Huron-Bruce): Not from me.

Mr. Hudak: I know there were some who voted against it, but the majority of Liberal members in the House voted in favour of it, the NDP members voted in favour of it and, of course, the Progressive Conservative caucus voted in favour, so the bill passed second reading. It's still waiting for committee time, but it proved to have

significant support from municipalities, seniors' groups and taxpayers' groups.

I've brought up in the Legislature, as has my colleague from Beaches—East York, that the government's bill, as it stands, will mean a triple whammy of assessment increases in the 2009 tax year. Conveniently, after the next election, when—I think the Premier hopes—people have forgotten about this issue, they will get three sets of assessment increases all at once. Effectively, the valuation date for MPAC purposes, for their current value assessment would reset from January 1, 2005, to January 1, 2008, meaning your home's value would be assessed for its value on January 1, 2008. So it's three sets of assessment increases all at once. Seniors and working families are already struggling to make ends meet in Dalton McGuinty's Ontario. They're already struggling with massive assessment increases, and they ain't seen nothin' yet if this bill goes ahead as currently written.

What I'm proposing is something that was supported by members of the government and both opposition parties, which is a cap on assessment increases of 5% per year, as long as home ownership is maintained. I think this is reasonable protection for taxpayers, that when the freeze is lifted for 2008, they will still be able to afford their homes and not fall victim to a triple whammy of property assessments, as the government proposes.

Mr. Arthurs: When I read this, I thought I recalled, at least in principle if not in word, the member's bill, the Homestead Act, which did receive the support of the majority of members present to be sent to committee after its presentation. I think it's fair to suggest at this point that the two ministers haven't expressed support for capping, their view being that an MVA/CVA market-based assessment process is the appropriate one.

Having said that, I'm sure that they, like all of us, respect the will of the Legislature in sending the matter to committee for consideration by committee. Should the committee, and subsequently the Legislature, see value in approving the nature of this and, I would suggest, make a couple of subsequent amendments—I can probably say most of what I need to say now. If the committee and the Legislature saw fit to adopt it, then obviously the government would act accordingly in respect to the will of the Legislature. But at this point, the government can't support this amendment. Neither minister has expressed support for capping, nor is the government in a position at this point to support this amendment.

1540

Mr. Prue: I will be voting for the amendment, although, as my colleague from Erie—Lincoln fully understands, we have our own plan, which is not exactly the same as this. It is our belief, though, that something needs to be done.

Freezing the assessment for a period beyond the next election is tantamount to courting disaster. I realize that the government members aren't going to vote for this. But if that is what happens in the end, if house prices continue to escalate, particularly in certain areas—we've seen what has happened over the last number of years in

the downtown core; waterfront properties are escalating out of all relationship to surrounding areas—I hazard to think of what will happen two years from now unless something is put in place. So I will be voting for the amendment. I realize it doesn't have much chance of success.

Mr. Hudak: I'd like to thank my colleague Mr. Prue for his support. I know he has done a lot of work on his own policy, which has the same goal: to make sure that assessments and the property taxes that come from those are affordable for seniors and working families in the province of Ontario.

I've said in the Legislature, and I do want to note for the record in committee—whether it causes suspicion; it should certainly cause alarm—that not the minister, not the parliamentary assistant, not a single member of the government mentioned this provision in the act, nor cared to confess to taxpayers that the goal of the McGuinty government is to hit them with three years of assessment increases all at once, conveniently after the next election. I thought that at least the minister or one of his colleagues would defend this move and tell taxpayers directly why they thought that was appropriate. But a quick check of Hansard will show you that not a single member of the government caucus—not the minister, not the Premier, not the parliamentary assistant—ever mentioned this provision in the act, which is an important provision. I'm concerned that they're trying to hide that their intention is to hit taxpayers with three years of assessments.

Nonetheless, I won't belabour that point; it's a thick bill. But I will continue to press the notion of caps on assessment increases as a strong taxpayer protection measure.

I'd ask for a recorded vote, please.

The Chair: Further comment? Hearing none, a recorded vote is requested.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Lalonde, Marsales, Mitchell, Sandals.

The Chair: The motion is lost.

Number 2 in your packet, a PC motion.

Mr. Hudak: I move that schedule A to the bill be amended by adding the following section:

"13.1 The act is amended by adding the following section:

Maximum increase in assessed value

"19.1.1(1) Despite any other provision of this act, the assessed value of each property for the 2008 and every subsequent taxation year shall not exceed the assessed value of the property for the 2007 taxation year by more than the percentage prescribed by the regulations.

"Termination of cap

“(2) Subsection (1) continues to apply to each property until such time as the property is transferred to a person other than a spouse or child of the person who owned the property on January 1, 2008.”

The Chair: Comment?

Mr. Hudak: The same principles here as in the last one: What I'm doing here is, if the government objects to the 5% cap, this would at least allow them, through regulation, to determine the level of the cap. If they wanted to do a further study and 5% was what they came up with, great; if they wanted 3% or 7%, it gives flexibility to cabinet to determine what the cap should be, beginning in the 2008 taxation year.

Mr. Arthurs: My comments would be basically the same: Whether it's a prescribed percentage up to 5% or some other amount that was determined by regulation, it would not be in accordance with the current direction the government is taking, and the government will not be able to support the amendment as presented.

The Chair: Further comment?

Mr. Hudak: Recorded vote.

The Chair: A recorded vote has been requested.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Lalonde, Marsales, Mitchell, Sandals.

The Chair: The motion is lost.

Number 3 is a PC motion.

Mr. Hudak: I move that schedule A to the bill be amended by adding the following section:

“13.1 The act is amended by adding the following section:

“Maximum increase in assessed value

“19.1.1(1) Despite any other provision of this act, the assessed value of each property for the 2009 and every subsequent taxation year shall not exceed the assessed value of the property for the 2008 taxation year by more than 5%.

“Termination of cap

“(2) Subsection (1) continues to apply to each property until such time as the property is transferred to a person other than a spouse or child of the person who owned the property on January 1, 2009.”

The Chair: Comment?

Mr. Hudak: It's pretty much the same thing as number 1, except I'm allowing the government an additional year to implement this. As you know, this bill, if not amended, would have a freeze until the 2009 taxation year and then unload a triple barrel of property assessment increases all at once. The initial amendments were for the 2008 taxation year. This gives another year for the government to think about it to bring in the 5% cap. Otherwise, it is the same principle of taxpayer protection, based on aspects of the Homestead Act.

Mr. Arthurs: The government's position would be the same. The principles, as laid out, are the same. In this amendment, obviously, it's a timing matter, with it being moved forward a year, but the government still doesn't concur with the principle laid out and thus won't be able to support the amendment.

The Chair: Further comment?

Mr. Hudak: Recorded vote.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Lalonde, Marsales, Mitchell, Sandals.

The Chair: The motion is lost.

PC motion 4: Mr. Hudak.

Mr. Hudak: I move that schedule A to the bill be amended by adding the following section:

“13.1 The act is amended by adding the following section:

“Maximum increase in assessed value

“19.1.1(1) Despite any other provision of this act, the assessed value of each property for the 2009 and every subsequent taxation year shall not exceed the assessed value of the property for the 2008 taxation year by more than the percentage prescribed by the regulations.

“Termination of cap

“(2) Subsection (1) continues to apply to each property until such time as the property is transferred to a person other than a spouse or child of the person who owned the property on January 1, 2009.”

The Chair: Comment?

Mr. Hudak: It's the same as number 3 for the 2009 taxation year, with the exception that this amendment would give the government of the day the flexibility to determine the proper tax level, whether it's 5%, 3%, 7% etc.

The Chair: Any other comment?

Mr. Hudak: Recorded vote.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Lalonde, Marsales, Mitchell, Sandals.

The Chair: The motion is lost.

Page 5: a PC motion.

Mr. Hudak: I move that schedule A to the bill be amended by adding the following section:

“13.2 The act is amended by adding the following section:

“Assessed value of home not affected by repairs, etc.

"19.1.2 Despite any other provision of this act, the assessed value of a property shall not be increased by reason of any increase in the current value of the property resulting from repairs, alterations, improvements or additions to the property having a value of not more than \$25,000."

The Chair: Comment?

Mr. Hudak: This is based on a second aspect of taxpayer protection stemming from the Homestead Act. As you may recall, the Homestead Act allowed homeowners to make up to a \$25,000 improvement to their residence without triggering a new assessment.

Again, I think all of us have heard complaints from citizens that there's a disincentive to improving their homes because of the impact on taxes in an uncapped current value assessment system. Having failed to get the caps, I would hope at least that this aspect of taxpayer protection from the Homestead Act could be incorporated into the bill so that if homeowners do make an improvement to their home, this would function as a \$25,000 deductible and help protect them from the triple whammy of tax increases that Dalton McGuinty has planned.

Mr. Arthurs: I made my comments early on in regard to the Homestead Act and the fact that it is in the charge of a committee of the Legislature at this point in time. This will be considered within that context, I think, in its fullest sense as well. I think it's interesting. It was interesting at the time of debate in the Legislature at second reading for consideration on how to deal with various property assessment matters. But in my view right now, the appropriate place, having been discharged to committee for that purpose in a more comprehensive fashion, will ideally see that debate in that committee. At this point in time, the government is not in a position to support the amendment.

1550

Mr. Prue: I will be voting for the amendment, although in my own recommendations we said that the amount should be \$40,000. It's still better than nothing.

Mr. Hudak: Did you?

Mr. Prue: Yes. So we will support it.

The Chair: Other comment?

Mr. Hudak: Recorded vote.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Lalonde, Marsales, Mitchell, Sandals.

The Chair: The motion is lost.

Now we come to PC motion 6.

Mr. Hudak: I move that schedule A to the bill be amended by adding the following section:

"13.3 The act is amended by adding the following section:

"Reduction in assessed value of home for seniors and disabled persons

"19.1.3 Despite any other provision of this act, the assessed value of a property in the residential property class shall be reduced by \$10,000 if the property is the principal residence of a person who has reached the age of 65 years or who is disabled."

The Chair: Comment?

Mr. Hudak: This is the third provision of taxpayer protection from the Homestead Act. Basically, it would bring forward a modest but important tax break for seniors or for those who are classified as disabled under existing provincial legislation. Effectively, it means that the first \$10,000 of their home's value would not be subject to property tax. So if a home was worth \$100,000, they would pay taxes based on an assessed value of \$90,000; if a home was worth \$300,000, they would pay taxes based on an assessed value of \$290,000. It is a progressive tax decrease, in that seniors who have homes of lower value would have the greater percentage gain in tax savings.

We certainly know that it's very difficult for seniors or those who are on disability payments to make ends meet in Dalton McGuinty's Ontario. This would be a helpful tax break for those individuals, especially since they'll be facing a triple whammy of property assessment increases conveniently after the next provincial election.

Mr. Arthurs: I don't want to be repetitious in any way, but the matter is before committee as part of that legislation, for the most part, for its consideration. I certainly find the amendment interesting. I'm curious, though, if not today then obviously at some point in the overall process, whether—and I presume, in the event of joint ownership, it would be the first of the owners to reach 65, not necessarily both or the second or some average, which is a little nuance one would have to consider. Many homes are owned by husband and wife, by spouses or whatever, so one would want to consider how that would come into play. But nonetheless, it rests with committee in a different format right now, and the government cannot support the amendment at this point.

Mr. Prue: It is at this point that I must deviate from my colleague from Erie—Lincoln. This is too open-ended. In our own policy, we wanted to have a rebate program for seniors and the disabled who needed the money. This is a universal policy. It is an extremely small amount of money, but it would literally go to everybody—million-dollar homes, the works. In a city like Toronto, it would result in only about \$90 on taxable property. As I said, it would go to everybody. Better to give more money to those who need it than to people who own million-dollar homes and possibly have million-dollar incomes.

Mr. Hudak: I appreciate the advice from both my colleagues on the provisions here in 19.1.3. I do hope that the Homestead Act can come before this committee, for example, with the talent that we have across the way there, and my colleague to my left as well, and we could discuss in further detail these powerful taxpayer protection initiatives in the Homestead Act. I do thank

them for their comments and, as a gesture of goodwill, I hope at least one of them will vote for this particular amendment.

The Chair: Further comment?

Mr. Hudak: Recorded vote.

Ayes

Barrett, Hudak.

Nays

Arthurs, Lalonde, Marsales, Mitchell, Prue, Sandals.

The Chair: The motion is lost.

There are no amendments for sections 14 to 41. Are there any comments? Hearing none, shall sections 14 to 41 carry? Carried.

Shall schedule A carry? Carried.

Schedule B: Sections 1 through 3, inclusive, have no amendments. Any comments? Hearing none, shall schedule B carry? All in favour? Carried.

Schedule C: Sections 1 and 2 have no amendments. Are there any comments? Hearing none, shall schedule C carry? Carried.

Schedule D: Sections 1 through 10 have no amendments. Are there any comments? Shall sections 1 through 10, inclusive, carry? Carried.

Subsections 11(4) and (5): There is a government motion, number 7, which is in your packet.

Mr. Arthurs: I move that subsections 11(4) and (5) of schedule D to the bill be struck out and the following substituted:

“Restriction on disclosure

“(4) The board may require the provision of information or the production of documents under subsection (1) that is, or are, the subject of solicitor-client privilege if access to the information or the documents is absolutely necessary to the purpose of the review of the audit.

“Privilege preserved

“(5) Disclosure of information or documents under subsection (1) does not negate or constitute a waiver of any privilege and the privilege continues for all other purposes.”

The Chair: Any comment?

Mr. Arthurs: This was a matter of discussion this morning, both at the presentation and with staff, who provided some clarity on the intention of the amendment that was to be brought forward. It establishes that access to solicitor-client privileged information would be established, as absolutely necessary, through the board, and that a provision exist under law, under common law experience, such that if it were challenged, there are legal processes where one could challenge that. It's obviously an attempt to provide some clarity and comfort in the process, whereby the information would not be acquired ad hoc, but only in an absolutely necessary fashion for the intended purposes.

Mr. Prue: I need to ask the question—and I'm very troubled by the word “absolutely.” I don't know why that was added. That means that there has to be literally no other circumstance in which that documentation could be gotten, and also that it's impossible—well, there it is; it's absolute. When something is absolute, there is no form of discretion whatsoever.

I noticed that what it replaces was quite open. I understand what the lawyers had to say, but this is what it replaces: “The audit firm that is required ... to provide information or to produce documents shall comply with the requirement even if the information or documents are privileged or confidential.”

So on the one hand you had, “We'll comply with it even if it is subject to confidentiality rules,” and on the other, the onus is to prove that it is absolutely necessary. I think it would quite literally be impossible to ever get a court order or a judge's certificate saying that it is absolutely necessary. If you want to take out “absolutely,” I can support it. It's necessary, but “absolutely” is too strong.

Mr. Hudak: We have the benefit of some staff here from the ministry. Perhaps they could help us with the definition. I did appreciate that before we broke for lunch and for question period, there was a description of the amendment given. Mr. Prue does bring up a good point about what “absolutely necessary” means with respect to implementation. Of course, my question will be, what is the appeal mechanism? If there is a dispute over what is and is not “absolutely necessary,” what happens subsequently?

1600

Mr. Arthurs: Mister Chairman, I'd be more than happy, in answer to this question, to have ministry staff come forward and provide some comment.

Clearly, at the very least it's to establish a very high bar to protect the privilege.

Mr. Prue: I agree with that, but “absolutely”?

The Chair: We'll hear from these gentlemen. Please identify yourselves for the purposes of Hansard, and then you can begin.

Mr. Slater: I'm Craig Slater, director of legal services in the Ministry of Finance. With me is Colin Nickerson, manager of—

Mr. Colin Nickerson: —the securities policy unit of the office of economic policy within finance.

Mr. Slater: On my right is Alexandra Raphael, counsel in the legal services branch at the Ministry of Finance.

In answer to Mr. Prue's question, I want to put it in a little bit of context. The threshold of “absolutely necessary” was what the Ontario Bar Association asked for in their submission, and the threshold of “absolutely necessary” is one that is recognized in case law in Ontario and in Canada, because it's the subject of Supreme Court of Canada decisions, as the threshold by which parties may gain access to solicitor-client privileged information in a situation where, as in this case, the documents have been provided to an audit firm. That's the threshold the courts will require and the limited waiver of privilege that

applies for the production of solicitor-client privileged information.

The threshold is one that's recognized in case law up to the Supreme Court of Canada and one the OBA was asking for in its letters to the minister and in its submission before the committee today. In large measure, because that submission recognized and asked for a recognized legal threshold, my client the government was prepared to bring forward a motion that recognized something that was already recognized in case law.

Mr. Prue: What's the next rung below "absolutely necessary"? "Advisably"?

Mr. Slater: In fairness, Mr. Prue, the rung before "absolutely necessary" is "you don't get it." The case law is fairly clear in situations of limited waiver of privilege: Unless the party can prove that the production of the documents is absolutely necessary for the purpose for which they're required or sought, the production is not going to take place.

Ms. Alexandra Raphael: In order to understand why that language was chosen, you should probably look at the statute and see how this is going to work. In order to deal with the Canadian Bar Association's concern about the override of solicitor-client privilege and the importance of the principle of solicitor-client privilege in the Canadian legal system, they had asked that there not be any access to solicitor-client privileged information unless a court gave a ruling.

What we have done is craft an amendment that will address the concerns of the bar that solicitor-client privileged information be protected, while at the same time allowing CPAB to access information on a more expedited basis than would be the case if they had to go to court every single time.

What this allows is for CPAB to apply the standard that has been developed in the courts, which is one of "absolute necessity," and because they will be a statutory tribunal, because we are setting them up and giving them a statutory foundation, should someone wish to challenge their decision that information is "absolutely necessary," their decision on that point will be reviewable under the Statutory Powers Procedure Act. What this amendment will do is allow CPAB to make a preliminary determination and then will allow speedy access to the courts so the courts can decide whether their determination as to absolute necessity is supportable under our legal system.

Mr. Hudak: I appreciate ministry staff helping us out with this. Did you have a chance to discuss the proposed amendment with the Ontario Bar Association and the advocates group that was with us earlier this morning?

Mr. Nickerson: We're certainly aware of the bar association's position from the correspondence they've put in. Since that correspondence was put in, we had a chance to have a conversation with them to exactly understand their concerns, but we didn't have a chance to get through this precise language with them.

Mr. Hudak: I'll ask you in a different way, then. You haven't had a chance to speak with them, I guess, but do you suspect they will be satisfied with the language? Will

this respond, to their satisfaction, to the concerns they brought forward with respect to solicitor-client privilege?

Mr. Slater: We hope they will. The motion tries to answer the concern they had with respect to ensuring that access was only provided when absolutely necessary, which was part of their submission. By crafting and putting forward the motion in the way we have, essentially we have provided an ability for courts to review the matter at hand and the application of the threshold. In large measure, my client hopes they have responded and we hope we've satisfied their major concerns.

Mr. Hudak: Maybe I could also ask the parliamentary assistant. Often at the political level these discussions take place as well, as to the degree of satisfaction. I'm just curious, is it solved? Would the Ontario Bar Association be happy with the way this is—

Mr. Arthurs: This is not a discussion that occurred, at least in my office, politically with the bar association. With what I heard from the ministry staff—and obviously the staff on the minister's side as well worked with this a bit. So there was correspondence and there was a conversation or conversations over the past short period of time, some interesting contact—not today necessarily, but prior to today.

Mr. Nickerson: They have written in—that letter has been made public, I think—and there was a conversation with them after that, earlier this week.

Mr. Arthurs: So from the standpoint of having had some consultation in that sense, there's the written concern, and having spoken to them about that, they've crafted the amendment they feel is best able to suit the government's need as well as address the concern of one party.

Mr. Hudak: I think the advocacy group basically had the—I apologize. Mr. Barrack, I think his name was. The Advocates' Society would view this similarly to the OBA; their position was essentially the same.

Mr. Slater: As I recall the submissions from the Advocates' Society, they clearly were looking—and I stand corrected; my memory isn't what it used to be—for some form of threshold of absolute necessity. In large measure, I believe the government motion attempts to respond to that.

Mr. Hudak: I'm pleased to hear that you had that conversation with the OBA and you're trying to respond to their concerns. On the other side of the coin, CPAB wants to make sure they can still carry out their duties, I guess subject to the concerns of those they'll have to work with. Will CPAB be pleased with this amendment as well?

Mr. Slater: We believe CPAB is generally supportive of the government motion. My understanding, although I did not have the direct conversations with the representatives of CPAB, is that there were discussions in the last few days with the officials from CPAB, and the issue of solicitor-client privilege and limitations on the access to documents to which solicitor-client privilege attached were the subject of the conversations with CPAB. So in large measure from what we gather, I think

it's the conclusion from staff—although the folks at CPAB can speak for themselves—that this is a process that certainly they're prepared to live with.

1610

Mr. Hudak: My last question, then, to the parliamentary assistant: At the political level, any contact from CPAB about satisfaction with this type of amendment?

Mr. Arthurs: Again, in my office not directly, no.

The Chair: Any other comment?

Mr. Prue: I can't vote for it. I mean, this is the result of a rushed process. We don't know whether the lawyers are happy, we don't know whether CPAB is happy. Even the people who are here advising us admit they haven't had an opportunity to bounce this any further than amongst the small group of themselves. I realize that the committee is in this awkward position because of the closure motion, but I think it's just too dangerous for me to put my hand up.

The Chair: Further comment?

Mr. Hudak: I, too, appreciate the work that has been done in an absence of comment back from either of the major groups, the three that had brought forward their concerns. I'm cautious about this and, as my colleague said, it's unfortunately a fallout of the time allocation motion that this committee was faced with. I think members do know that the next PC motion, number 8, would set up a process where we could give some due course to studying these issues to ensuring that proper balance is struck between protecting solicitor-client privilege and allowing CPAB to do their important work in maintaining the security of audit and financial markets.

As well, I'm not going to support this motion without some degree of support—the third party comment that it meets with satisfaction their concerns. Instead, I would suggest that we follow the process underlined in amendment number 8.

The Chair: Further comment?

Mr. Prue: Recorded vote.

The Chair: Hearing none, a recorded vote has been requested.

Ayes

Arthurs, Marsales, Mitchell, Sandals.

Nays

Barrett, Hudak, Prue.

The Chair: The motion is carried.

Shall section 11, as amended, carry? Carried.

Now we come to the PC motion on page 8. Mr. Hudak. Oh, I'm sorry, I'm getting ahead.

Sections 12 through 15 have no amendments. Shall those sections, inclusive, carry? Carried.

Now we can go to Mr. Hudak and the PC motion on page 8.

Mr. Hudak: I move that schedule D to the bill be amended by adding the following section:

"Appointment of first advisory committee

"15.1(1) On or before February 1, 2007, the minister shall appoint an advisory committee to review issues related to the board's access under section 15 to information that is, and documents that are, the subject of solicitor-client privilege.

"Same

"(2) The committee shall review the issues and the needs of the board in relation to access to information that is, and documents that are, the subject of solicitor-client privilege and solicit the view of participating audit firms, reporting issuers and the general public in respect of those matters by means of a notice and comment process.

"Report

"(3) The committee shall prepare for the minister a report of its review and its recommendations including recommendations, if any, on regulations that in the opinion of the committee should be made in respect of the board's access to information that is, and documents that are, the subject of solicitor-client privilege.

"Same

"(4) The minister shall table the report in the Legislature.

"Committee review

"(5) Upon the report being tabled, it shall stand referred to the standing committee on finance and economic affairs, which shall review the report, hear the opinions of interested participating audit firms, reporting issuers and members of the general public and make recommendations, if any, to the Legislative Assembly on regulations that in the opinion of the standing committee should be made in respect of the board's access to information that is, and documents that are, the subject of solicitor-client privilege.

"Regulations

"(6) The minister may make regulations governing the board's access under section 15 to information that is, and documents that are, the subject of solicitor-client privilege.

"Same

"(7) Within 30 days of the adoption of the standing committee's report, the minister shall make the regulations, if any, set out in the report."

The Chair: Comment?

Mr. Hudak: This is a bit of a process, but it's one done with caution, which I think is important, given the views that we heard at committee and the caution from the Ontario Bar Association and from Mr. Barrack of the Advocates' Society, and CPAB's concerns as well.

I appreciate the minister coming forward with her amendment, and I do hope that it will find support among the groups that are going to have to deal with it down the road.

I also want to thank leg counsel for helping craft this particular amendment, which we did in response to the letter that the OBA had put forward dealing with schedule D.

I'm open to amendments too. If we want to shorten the process, that's fine, but I thought it was important for us

to make sure that we had some sober second thought. This would be the first province outside of Quebec which has a unique set of laws that would give legislative authority to CPAB, so I want to make sure that we got it right. In the absence of a third-party review of whether the government's amendment did get it right, I am suggesting we take some time in the new year to make sure that we do so.

The Chair: Further comment?

Mr. Arthurs: I appreciate the member's concern for whether or not, at the end of the day, the government's amendment has got it right. Respectfully, it is a rather extensive and potentially cumbersome process, ending with the Legislature directing the minister with respect to regulations. I understand it's not common, although maybe not unprecedented. I'm not sure what may have occurred in the past, and I'm sure probably at some point it has.

For us, the reality is that the threshold, as was discussed just a few moments ago, of the "absolutely necessary" is quite a high threshold. As well, there are windows of opportunity for direct court action where case law will have the opportunity to establish whether particular matters should be considered as privileged or not, and we'll then set out other precedents, if required, for a future time. Ideally, that provision would be used in such a limited number of cases that the system itself would work effectively in the absence of those court actions. The government doesn't see a particular need for putting in place this type of process to achieve what both the legislation itself and the provisions within the legal system provide for establishing those rules.

Mr. Hudak: Recorded vote.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Lalonde, Marsales, Mitchell, Sandals.

The Chair: The motion is lost.

Now we move to the government motion on page 9. Mr. Arthurs.

Mr. Arthurs: I move that section 16 of schedule D to the bill be amended by adding the following subsection:

"Same

"(2) A regulation made under subsection (1) has effect only in Ontario."

The Chair: Comment?

Mr. Arthurs: This amendment does, in effect, what was asked through our deputations as well, and that's to ensure that the regulation has effect only in the province of Ontario; it doesn't have implications elsewhere.

Mr. Prue: I have to ask the question, though: How could a law made in Ontario by the Legislature of Ontario be enforced or encumbered in any other jurisdiction in Canada? I've never seen this in any bill. Why is it

necessary? Prince Edward Island would look at this and say, "We don't have to do this."

Mr. Arthurs: Again, I'd ask legislative counsel in that regard. The question is a fair one and deserves that reasoned and professional response.

1620

Mr. Slater: Mr. Prue, your question is, in fact, a good one. This, in large measure, clarifies a point that Mr. Thiessen indicated earlier today needed to be addressed. The concern raised was an interpretation that if the minister had the ability to make a regulation that essentially remade or imposed the CPAB rules, then there could be an interpretation that somehow suggested that the effect of that regulation had extrajurisdictional application, given that the CPAB rules themselves are developed for use across the country. The purpose in this motion is to ensure that where the regulation is made that would in fact impose CPAB rules, the effect of that regulation is only within the borders of Ontario. So it's in reaction to the issue of interpretation that Mr. Thiessen raised this morning.

Mr. Prue: I'm having a hard time understanding. A judge in a jurisdiction—pick any one; Manitoba—would clearly want to know, whether it's in there or not, under what authority an Ontario law would apply in Manitoba, would he or she not?

Mr. Slater: Let's assume the current state of affairs, which of course is that outside of Quebec there is no other province that has CPAB legislation, so if in fact the minister responsible—in this case, it's Minister Phillips—decided there was something in the CPAB rules which was contrary to the public policy of Ontario and then passed a regulation saying, "Your rules will be this," then it's capable of an interpretation that where in fact Minister Phillips has promulgated a regulation that changes the CPAB rule, that CPAB rule will have effect in let's say Manitoba where CPAB engages in review of an audit firm and an audit firm's conduct in respect of a company in Manitoba.

In a situation where let's say, for instance, Manitoba has a statute quite similar to that in Ontario, then there is a potential for an interpretation that essentially the minister in Ontario can change the national CPAB rules and the minister in Manitoba can change them back to what he or she wants, so the effect is—and I'll grant you that this is a matter of legal argument. There is also a contrary argument that says, as you've suggested, that any regulation that imposes a set of rules on CPAB or remakes a CPAB rule really has effect only within the borders of Ontario, and I grant you that there is a contrary argument to that, but given that there is this interpretation argument that somehow the minister in Ontario could remake CPAB rules that would be applicable in other jurisdictions, the government felt it was necessary to clarify that, to deal with the potential interpretation argument, and in doing so, address the issue that Mr. Thiessen raised this morning.

Mr. Prue: Okay.

The Chair: Further comment?

Mr. Arthurs: It certainly could be argued that the government is overstating the case, but having said that, at least if the case is overstated, given the fact it's a national body but this is local legislation, provincial legislation, it is clear to anyone looking at it as to what the intention is of any regulatory change that the minister may impose upon CPAB within its boundaries. I appreciate the comments of the member opposite as well.

Mr. Prue: Okay, so it states the obvious.

The Chair: Further comment? Hearing none, all in favour? Opposed? Carried.

Shall section 16, as amended, carry? Carried.

Sections 17 to 19, inclusive, have no amendments. Any comment? Hearing none, shall sections 17 to 19 carry? Carried.

Shall schedule D, as amended, carry? Carried.

Schedule E: sections 1 and 2 have no amendments. Are there any comments? Hearing none, shall those sections carry? Carried.

Shall schedule E carry? Carried.

Schedule F has two sections. Shall sections 1 and 2 carry? Carried.

Shall schedule F carry? Carried.

Schedule G has sections 1 through 12, inclusive. Shall they carry? Carried.

Shall schedule G carry? Carried.

Schedule H: sections 1 through 3 have no amendments. Shall they carry? Mr. Hudak?

Mr. Hudak: I apologize for interrupting there, but I did have a question on schedule H, and this would be to the parliamentary assistant. The parliamentary assistant knows we did have queries from Mayor McCallion here before us today, from AMO, from Mayor Fennell of Brampton and perhaps some others—I think the region of Peel—with respect to opening up the Development Charges Act and applying it to this project only. The mayor had spoken about the transit system projects in her community and was wondering why there seems to be—she used the term—“discrimination” in favour of one project and not the other major capital projects.

Mr. Arthurs: I know that shortly we'll deal with an amendment in respect to the Development Charges Act, but that's one that the home builders' association principally brought forward. I think it's fair to say that in this instance, the subway project in particular is probably unique in the province. They aren't built very often. There's currently nowhere outside the 416 Toronto jurisdiction that the subway exists yet. It's of a magnitude that requires some specialized consideration.

Certainly the issues of development charges, among other matters, are intended to be part of the municipal-provincial review undertaken through the MMAH, as announced by the Premier at AMO this past August, and certainly the window of opportunity for AMO and municipalities to have that discussion for a period of time, as the mayor pointed out, and certainly not necessarily to her complete satisfaction from the timing standpoint, but an opportunity to have that fuller discussion around development charges as part of that review process.

Mr. Hudak: I guess the mayor's issue is that she had hoped, and I think AMO had hoped, that those discussions would be further along. I appreciate the parliamentary assistant's answer that they're approaching that, but I think her other main point was that this is a bit of a departure, where the Ministry of Finance is actually bringing this forward under schedule H for a single project. I understand the member says it's for a subway, but is the ministry contemplating making specific changes to the act for other transit projects, or is this the one and only?

Mr. Arthurs: There's no current consideration of other transit or related projects to be dealt with in a manner such as—it's certainly the scale and uniqueness of this particular project that leads us to this approach.

Mr. Hudak: My last question, if I could, whether it's to the parliamentary assistant or staff: The GTHBA-UDI has brought forward some concerns with the definitions under this act. How does schedule H respond to the GTHBA-UDI's concerns, or will that be addressed under the regulations part of schedule H?

1630

Mr. Arthurs: In my view—and again, we can certainly, if the member likes, ask a staff person to come forward and provide some further clarity. The amendment that we're going to be dealing with shortly speaks to the section: “striking out ‘on the day the Budget Measures Act receives royal assent’ and substituting ‘on a day to be proclaimed by proclamation.’” It provides for opportunities for further consultation with the various stakeholders, including the home builders and UDI, to have that discussion with the minister prior to the implementation. The window for that to occur has been extended so those things can occur, rather than just on royal assent.

The Chair: Thank you. Mr. Prue.

Mr. Prue: I would agree with all the rationale and the arguments you have made, but it also opens up the possibility that it would never be proclaimed at all, which happens to many, many bills. I would think some of the people who are hoping to have the subway go up to York University might look at this and say, “Wait. Hold on a minute. This is too open-ended.” It might not be right away, and I can understand the arguments made by Mayor McCallion, UDI and others, but it also need never be proclaimed, if I vote for this.

Mr. Arthurs: I suppose that's a risk. It always is, I guess, at this point. We obviously still await the third leg of the stool to come to the table. The government's view, at this point, having heard the submissions that have been made, is that further deliberation and consultation should occur, in light of the fact that it's not a single or even a two-party initiative and not all the parties are fully at the table yet at this point.

Mr. Prue: So it's a matter of faith, then.

Mr. Arthurs: We're confident that the federal government is going to actually want to be there as a partner in this initiative.

The Chair: Thank you.

What I was discussing was sections 1 through 3, which have no amendments. Shall they carry? Carried.

In your packet, number 10, a government motion, Mr. Arthurs.

Mr. Arthurs: Section 4, schedule H:

I move that section 4 of schedule H to the bill be amended by striking out “on the day the Budget Measures Act, 2006 (No. 2) receives royal assent” and substituting “on a day to be named by proclamation of the Lieutenant Governor.”

The Chair: Any comment?

Mr. Arthurs: In my view, we have covered some of that discussion in the last couple of minutes. The government is happy with this amendment as proposed.

The Chair: Any other comment? Hearing none, all in favour? Opposed? Carried.

Shall schedule H, as amended, carry? Carried.

Schedule I, sections 1 through 3 have no amendments. Any comment? Shall those sections carry? Carried.

Shall schedule I carry? Carried.

Schedule J: Sections 1 through 6 do not have amendments. Shall those sections carry? Carried.

Shall schedule J carry? Carried.

Schedule K: Shall sections 1 through 9 carry? Carried.

Shall schedule K carry? Carried.

Schedule L: On section 1, we have PC motion 11.

Mr. Hudak: I move that section 1 of schedule L to the bill be struck out and the following substituted:

“1. The definition of ‘gasoline’ in subsection 1(1) of the Gasoline Tax Act is repealed and the following substituted:

“‘gasoline’ means any gas or liquid, other than ethanol, methanol and natural gas, that may be used for the purpose of generating power by means of internal combustion and includes,

“(a) aviation fuel, but only when it is used or intended to be used to generate power by means of internal combustion in a vehicle other than an aircraft,

“(b) any of the products commonly known as diesel fuel, fuel oil, coal oil or kerosene, but only when the product is mixed or combined with a gas or liquid that is gasoline,

“(c) every product that is otherwise excluded from this act by the regulations, but only when the product is mixed or combined with a gas or liquid that is gasoline, and

“(d) any other substance except ethanol, methanol and natural gas that is mixed or combined with a gas or liquid that is gasoline; (‘essence’)”

The Chair: Comment?

Mr. Hudak: Yes. Thank you, Chair. In the past, there has been no taxation of ethanol when it has been added as a fuel supplement. Ethanol is generally more expensive than gasoline, and if we exempt it from taxation it will make it a viable fuel additive. With new requirements from the Ministry of the Environment for the addition of ethanol to gasoline, the current budget bill is adding ethanol to the definition of gasoline and that means it will be fully taxable.

What I’m trying to do here is to support the government’s intentions—which the previous government, of which I was part, was also supportive of—to get ethanol into gasoline for environment purposes. It also has very positive spinoffs for our farmers in the province of Ontario. But I do believe we should have an exemption of ethanol from the tax. I brought similar motions forward before the finance committee and will continue to press the issue and hope we can make it part of Bill 151.

The Chair: Further comment?

Mr. Arthurs: As I understand it, this effectively would take us to the pre-budget time frame by the elimination of the tax on ethanol, by keeping it non-taxable. The financial resources are intended obviously for the ethanol growth fund as an incentive for the production of ethanol, and as early as January 1, 2007, I think, there will be a requirement for 5% content for ethanol. Thus we need to encourage the production. To do that, there is obviously a financial resource that is desirable to help make that happen. This provision will be in support of that.

The government will not be supporting the motion as presented.

The Chair: Mr. Hudak?

Mr. Hudak: I will remind my colleagues—they may remember from the finance committee considerations of the budget bill—the Progressive Conservative Party had brought forward a similar amendment to the one we just discussed. We also had suggested that the ethanol growth fund be funded out of general revenue so that could maintain investments in ethanol production facilities while maintaining the tax-free status of ethanol when added to gasoline. That’s certainly our preferred route to support the environmental and agricultural benefits of ethanol in gasoline. We’ll continue to press it, but I do hope I might get lucky with this one.

The Chair: Mr. Prue.

Mr. Prue: I would hope he gets lucky with this one too. It just boggles me a little—and I know I spoke to this in the opening comments on second reading—that there is a provision within here that is going to tax ethanol. It seems to me that if we are planning for a greener future, if the environment minister and the government are to believe in how we want to look for greener opportunities, the taxation of something that will help take pollutants out of the air that come with gasoline and oil products seems bizarre to me, that it would be taxed in exactly the same way, given that with the current technology it costs more to produce ethanol than gasoline. So I don’t see the rationale here. I can see the rationale in terms of your wanting to keep the tax base. I don’t see the rationale at all in terms of what the environment and energy ministers keep talking about: the Liberal plan for a greener energy policy.

The Chair: Mr. Lalonde.

Mr. Jean-Marc Lalonde (Glengarry–Prescott–Russell): I need some clarification. At the present time, there is no tax on ethanol. I pay the same price for ethanol as I pay for regular gas.

The Chair: That's a point of interest.

Mr. Barrett?

Mr. Barrett: Just to support the member from the NDP and my Conservative colleague, the member opposite is right: When you eliminate the tax break, you do pay the same price for a litre of ethanol as regular gasoline. So in that sense there's no tax incentive or competitive advantage for ethanol.

Just to follow up on what Mr. Prue has said, ethanol contains 35% oxygen. By adding oxygen to fuel, it results in more complete combustion, reduced emissions—something that's very important not only for smog but also for climate change initiatives.

1640

We understand the direction here to put the tax back on and then take that money and turn around and give it back to the industry, but I think it would be much more efficient to have the consumer make these economic decisions by having it be up to them to not pay the tax on ethanol, as has been the case for something like 20 years now.

Again, part of this is, say, a 10%—reducing smog, reducing emissions like carbon monoxide, VOCs and particulate matter.

Mrs. Mitchell: I just have a couple of comments with regard to the ethanol. The conversation that also needs to be a part of all of the discussion is that it has been mandated, and we're moving forward with an even greater percentage in the years to come. Ethanol production will not go forward without a fund that it can access, and that's what this speaks to.

Mr. Hudak: I appreciate Mrs. Mitchell's point. That's why when we brought forward these amendments before, the official opposition suggested that we make sure that when ethanol is added to gasoline, it doesn't become taxed like the rest of gasoline, and secondly, that the ethanol growth fund would be supported out of the general consolidated revenue fund. We thought that was a good way of approaching it and maintaining ethanol's tax-free status.

The Chair: Further comment?

Mr. Hudak: Recorded vote.

The Chair: A recorded vote is requested.

Ayes

Barrett, Hudak, Prue.

Nays

Arthurs, Lalonde, Marsales, Mitchell, Sandals.

The Chair: The motion is lost.

Sections 2 through 9 have no amendments. Shall those sections carry? Carried.

Shall schedule L carry?

Mr. Hudak: Recorded vote.

The Chair: A recorded vote has been requested.

Ayes

Arthurs, Lalonde, Marsales, Mitchell, Sandals.

Nays

Barrett, Hudak, Prue.

The Chair: The motion is carried.

Schedule M: Sections 1 through 3 have no amendments. Shall they carry? Carried.

Shall schedule M carry? Carried.

Schedule N: We have a PC motion, number 12.

Mr. Hudak: I move that schedule N to the bill be amended by adding the following section:

"0.1 The act is amended by adding the following section:

"No Ontario health premium after 2011

"2.3 Despite subsection 2.2(1), no Ontario health premium is payable by an individual for a taxation year ending after December 31, 2011."

The Chair: For the committee members, I would like to rule on the admissibility of this amendment. This motion before the committee is irrelevant to the bill and beyond its scope. I therefore rule this motion out of order.

Sections 1 through 6 have no amendments. Shall they carry? Carried.

Shall schedule N carry? Carried.

Schedule O: Sections 1 through 28 have no amendments. Shall they carry? Carried.

Shall schedule O carry? Carried.

Schedule P, sections 1 through 6: Shall they carry? Carried.

Shall schedule P carry? Carried.

Schedule Q: Sections 1 to 3 have no amendments. Shall they carry? Carried.

We'll move to PC motion number 13.

Mr. Hudak: I move that section 2 of schedule Q to the bill be struck out and the following substituted:

"2. Subsection 2(1) of the act is amended by striking out 'seven members appointed by the Lieutenant Governor in Council' and substituting 'seven members appointed by the Lieutenant Governor in Council who shall form its board of directors.'"

The Chair: Comment?

Mr. Hudak: I have a series of amendments that all work hand in hand. The reason for this one is that the PC caucus is objecting to increasing the number of government appointees on the LCBO board. We've certainly seen a pattern of Liberal bagmen, former members and fundraisers being appointed to these types of positions. Frankly, we think they've got about another four lined up and ready to go, so that's why we're objecting to that. This is a companion amendment to make sure that we hold the LCBO board, which seems to have functioned quite well, at seven members.

The Chair: Further comment?

Mr. Arthurs: There are a couple of comments. That the member opposite—I guess this is because of his many years of experience here—could characterize appointments by any government with that type of descriptor—I presume that's just from the experience of having been in government that he understands that's the way things used to work.

Having said that, the government is proposing in the legislation to increase the number of members from seven to 11. That's really the critical issue, not whether it's a board or not. This is a large organization. It's a very large province. People with a great variety of skills and backgrounds from across the province are drawn upon to serve in this capacity. It provides a slightly larger number. It provides for a greater set of views and a broader range of discussion. There are times, with small numbers, when you do have, with the physical distances one has to travel and the business commitments that people have, difficulties in establishing a quorum to carry out the business. If you manage just to get a quorum, the numbers are so small the debate may become rather limited in its scope. So it's the government's view and certainly the Minister of PIR's view that the extension from seven to 11 members will best serve the people of Ontario on this board.

Mr. Prue: I have a question. Did the LCBO board—the presently constituted board—ask that it be expanded?

Mr. Arthurs: I can't respond effectively to the member's question. I don't know whether that was the case or not, since I haven't had that discussion.

Mr. Prue: What was the genesis of this thought that more were needed? If it did not come from them, who did it come from?

Mr. Arthurs: I'm not suggesting that it didn't. I'm just saying I don't know whether it came directly from the board, but certainly the minister felt, through his interactions with the organization and with the board, that this would be an appropriate change to make.

The Chair: Further comment?

Mr. Hudak: Just to reinforce my concern, I know that one of the recent appointments by the McGuinty government was Phil Olsson to the LCBO board, a well-known Liberal bagman who has donated substantial sums to individual candidates and to the Liberal Party of Ontario. For example, there was \$1,160 that Mr. Olsson donated in 2003, \$1,650 he donated in 1995. I won't delay time here by listing the other years.

Mr. Olsson was then moved up to be the chair of the LCBO, hidden deep in a press release congratulating Andy Brandt. I think Andy Brandt did a tremendous job as the chair of the LCBO. Buried deep in congratulations from the Premier to Andy Brandt was some provision that basically said that since the chair has stepped down, the vice-chair automatically becomes the chair. Mr. Olsson was therefore able to sidestep being called to the agencies committee, which is regrettable for an agency that is—what?—a \$3-billion or so enterprise.

1650

Based on that pattern that we've seen at the LCBO, I can appreciate my colleague's arguments. There hasn't been a level of trust established, given the way that Mr. Olsson's appointment has been handled. Therefore, I think we should leave well enough alone and maintain seven members; otherwise, we'll see the Olsson twins being appointed, whatever his equivalent is, in other parts of Ontario, another Liberal Party bagman.

Mrs. Mitchell: Just to add further to that, it's unfortunate that the member has chosen to speak in that manner, as when the LCBO was under the agency review, he specifically spoke to this issue. You also sat in on those committee hearings. It was talked about—all the members had conversations about the decision and the board composition—so I'm quite surprised at some of your comments today.

Mr. Hudak: If Ms. Mitchell wants to engage in debate on this, she will recall that I was sitting in the position of Chair of the committee. The person who sits at the front is the Chair of the committee and doesn't tend to enter into debates as members of the committee do, and I'm using this opportunity to bring it forward.

Mrs. Mitchell: Just a short comment. You also, as Chair, heard all of the conversations. As well, you could have chosen to step down, but you were privy to all the conversations that were happening, and I'm sure that you heard all of the discussions that day, when the LCBO went through the agency review, of the board composition.

Mr. Hudak: Of course I did, and that's why I'm bringing forward this amendment. If Ms. Mitchell heard the same conversations as I did, I'm sure she'd be concerned and hopefully will support my amendment.

The Chair: Thank you. Mr. Prue.

Mr. Prue: Ms. Mitchell, member from Huron—Bruce, was this discussed during the committee process, increasing the board membership? During the review of the LCBO, was this—

Mrs. Mitchell: He talked about the composition of the board. He also talked about the shifting of the CEO and the chair and that type of thing.

Mr. Prue: And the need for an additional four members?

Mrs. Mitchell: I can't recall specifically if that was mentioned, so I don't want to say that it was. I have heard it in conversation, but I can't say absolutely, without doubt.

Mr. Prue: I would gladly vote for this if the LCBO requested it, but I'm not hearing that. I'm not hearing that from anybody.

Mrs. Mitchell: And what I'm saying to you is that I cannot—I know that I have heard from the LCBO that they are looking for greater numbers, but I don't know if it was a formal request.

Mr. Arthurs: Mr. Chair, it has been indicated to me by a member of the minister's staff that a request of this nature did come through the LCBO to the appropriate minister.

Mr. Prue: To increase it to 11?

Mr. Arthurs: Again, I don't have the personal engagement in that, but I have confidence in the ministry staff person indicating that is the case.

Mr. Prue: Okay, thank you.

The Chair: Further comment?

Mr. Hudak: A recorded vote.

Ayes

Hudak.

Nays

Arthurs, Lalonde, Marsales, Mitchell, Prue, Sandals.

The Chair: The motion is lost.

Shall section 3 carry? Carried.

Now we have a PC motion on page 14.

Mr. Hudak: I move that section 4 of schedule Q to the bill be amended by striking out section 4.0.1 of the Liquor Control Act.

The Chair: Comment?

Mr. Hudak: Section 4.0.1 states that a chief executive officer position could be appointed subject to the minister's approval. I do have concern about another high-priced bureaucrat at the LCBO and the cost to the taxpayer of such.

Secondly, Mr. Brandt conducted the position of chair and CEO extremely effectively for a number of years, basically acting in those types of positions. What I appreciated about Mr. Brandt's style was that he kept some—what's a good word for it? He used moral suasion to ensure or at least press that Ontario VQA wines, for example, would be treated fairly, Ontario microbreweries and such. It was a check on the bureaucracy at the LCBO.

I worry that the government, in moving to a part-time chair and bloating the bureaucracy of the LCBO, will lessen the ability of the chair to keep an eye on things and make sure that, for example, the goals in the Ontario wine strategy are met. Members will know that that strategy is well behind its schedule, and I think that if you withdraw the supervision of a chair position and you put another individual here on the administrative side, the ability to keep the pressure on to meet those goals and to address concerns of microbreweries, for example, will be lost.

The Chair: Comment?

Mr. Arthurs: The government won't be supporting this particular amendment. It's the government's view that, in spite of Mr. Brandt's excellent work over all those years, it's now time to separate the function of governance from the administrative, operational side of the business, that the CEO function becomes one that ensures the effective and efficient operation and the chair's function will ensure that the governance side is well managed, and that there's no conflict in those particular

functions. So the government will not be supporting the motion as presented.

Mr. Prue: I can only speak from my own experience, not necessarily with the LCBO or what this motion is, but I know even in the time when I was mayor, we had this exact same debate in East York when we hired a CEO, and it was to separate the functions and to allow the executive to do the executive job and the CEO to look after the staff. It freed the mayor and the council from doing precisely that, and I cannot see how this is going to be necessarily a bad thing. We need to have full-time staff looking after an operation which nets this province billions of bucks.

The Chair: Further comment?

Mr. Hudak: My last point on this, and I appreciate the comments of my colleagues: I know my colleague Mr. Runciman had brought this up in the Legislature, objecting to Mr. Olsson's appointment and appointing effectively a part-time chair to a \$3-billion enterprise. The LCBO really has two principal goals, and one is to bring in revenue—there are a number of principal goals, but it has two conflicting mandates, at times. One is to bring in more and more revenue to the government to spend; the second is to support domestic product, to ensure that there's adequate shelf space for Ontario VQA wine, for example, microbrews and such. I found that in Mr. Brandt's capacity, he was much more effective as a full-time chair to ensure that the proper balance was reached between maximizing revenues and making sure that VQA wines and microbrews were given appropriate shelf space and part of LCBO promotions. I do worry that now, moving to a part-time chair and a full-time executive officer, that link will be lost and that we'll see a loss of the gains that have been made for VQA wines and microbrews, so I'll continue to press this amendment. I appreciate my colleagues' concerns, and if my amendment fails, we'll just have to make sure we keep a close watch on what the new CEO would do.

The Chair: Further comment? Hearing none—

Mr. Hudak: Recorded vote.

Ayes

Barrett, Hudak.

Nays

Arthurs, Lalonde, Marsales, Mitchell, Prue, Sandals.

The Chair: The motion is lost.

A PC motion on page 15.

Mr. Hudak: I move that subsection 4.0.2(2) of the Liquor Control Act, as set out in section 4 of schedule Q to the bill, be struck out.

The Chair: Comment?

Mr. Hudak: The intention here was part of a package to maintain a link between the political side and the LCBO in terms of appointing staff. This act, as brought forward by the government currently, delegates a lot of

that authority, first to the minister and then to the board. My intention would be to ensure that the Lieutenant Governor, as opposed to the board or the minister, would make those types of decisions.

Mr. Arthurs: The legislation as presented ensures that those in the bargaining unit are addressed in a fashion similar to those in the public service on the bargaining side, and those on the non-bargaining side are managed through the responsibility of the minister.

This, as I understand, would nullify that situation. We're of the view that it's important for the minister to have that ultimate responsibility for the non-bargaining part of the business and maintain the integrity of the bargaining unit through a more normal type of process. So we won't be able to support the amendment, though I appreciate the comments of the member opposite.

Mr. Hudak: I hear what you're saying and I appreciate the parliamentary assistant's views on this. Just by way of example, the new CEO, if the act passes, will have a certain degree of salary and benefits; there may be other administrative positions outside of the bargaining unit that will be assigned. Under this section, if passed, the minister would approve all of that. For a \$3-billion agency that would now have a part-time chair, I think you need some sober second thought. If my amendment were to pass, the minister would then have to bring his or her recommendations to cabinet for cabinet approval. I just think it's important to be cautious and safe, given a part-time chair, given the size of the LCBO, that a recommendation for salary for the CEO, for example, or the CEO's staff would be approved by cabinet as opposed to the individual minister. I actually think it's an important protection for the minister as well, because it would mean it went through a more thorough review by his or her colleagues. That's why I'm bringing this forward to maintain the Lieutenant Governor in Council oversight as opposed to just a deal between the minister and the CEO.

The Chair: Further comment? Hearing none—

Mr. Hudak: A recorded vote.

Ayes

Barrett, Hudak.

Nays

Arthurs, Lalonde, Marsales, Mitchell, Sandals.

The Chair: The motion is lost.

1700

For the committee members, it being 5 of the clock, pursuant to the order of the House dated November 14, 2006, all debates will cease and all motions which have not yet been moved shall be deemed to have been moved and I shall now put every question necessary to dispose of all remaining sections of the bill and any amendments thereto. The order of the House also authorizes the committee to meet beyond the normal hour of adjournment

until completion of clause-by-clause consideration. Any division required shall be deferred until all remaining questions have been put and taken in succession with one 20-minute waiting period allowed, pursuant to standing order 127(a).

Shall section 5 carry? Carried.

Shall schedule Q carry? Carried.

Shall sections 1 and 2 to schedule R carry? Carried.

Shall schedule R carry? Carried.

Schedule S, sections 1 through 4: Shall they carry? Carried.

Shall schedule S carry? Carried.

Schedule T, sections 1 and 2: Shall they carry? Carried.

Shall schedule T carry? Carried.

Schedule U, sections 1 and 2: Shall they carry? Carried.

Shall schedule U carry? Carried.

Schedule V, sections 1 through 3: Shall they carry? Carried.

Shall schedule V carry? Carried.

Schedule W, sections 1 and 2: Shall they carry? Carried.

Shall schedule W carry? Carried.

Schedule X, sections 1 through 4: Shall they carry? Carried.

Shall schedule X carry? Carried.

Schedule Y, sections 1 through 5: Shall they carry? Carried.

Shall schedule Y carry? Carried.

Schedule Z, sections 1 through 3: Shall they carry? Carried.

Shall schedule Z carry? Carried.

Shall schedule Z.1, sections 1 through 2, carry? Carried.

Shall schedule Z.1 carry? Carried.

We have an amendment proposed. They having been deemed moved, motions 16 and 17, I would like to rule on the admissibility of the amendments that propose to direct the allocations of public funds. The motions before the committee can be characterized as money bill motions, and, pursuant to standing order 56, any motion that proposes to direct the allocation of public funds shall be proposed only by a minister of the crown. I therefore rule these motions out of order.

Schedule Z.2: Shall sections 1 through 28 carry? Carried.

Shall schedule Z.2 carry?

Mr. Prue: A recorded vote, please.

The Chair: A recorded vote has been requested for Z.2. We'll stand that down.

Schedule Z.3, sections 1 through 34: Shall they carry? Carried.

Shall schedule Z.3 carry? Carried.

Schedule Z.4, sections 1 through 7: Shall they carry? Carried.

Shall schedule Z.4 carry? Carried.

Schedule Z.5, sections 1 through 21: Shall they carry? Carried.

Shall schedule Z.5 carry? Carried.

Shall schedule Z.6, sections 1 through 2, carry? Carried.

Shall schedule Z.6 carry? Carried.

Schedule Z.7, sections 1 through 8: Shall they carry?

Mr. Hudak: A recorded vote.

The Chair: A recorded vote is requested. We'll stand that down.

Schedule Z.8, sections 1 through 2: Shall they carry? Carried.

Shall schedule Z.8 carry? Carried.

Schedule Z.9, sections 1 through 11: Shall they carry? Carried.

Shall schedule Z.9 carry? Carried.

You are allowed a 20-minute recess, those who called for the recoded votes. Do you wish to exercise that?

Mr. Prue: No, thank you.

Mr. Hudak: Can we have a chit and use it some other time? That could come in handy.

The Chair: Talk to the House leaders.

Shall schedule Z.2 carry? A recorded vote was requested. All those in favour?

Ayes

Arthurs, Lalonde, Marsales, Mitchell, Sandals.

Nays

Barrett, Hudak, Prue.

The Chair: Carried.

Now we're on Z.7. Shall sections 1 through 8 carry? A recorded vote was requested. All in favour?

Ayes

Arthurs, Lalonde, Marsales, Mitchell, Sandals.

Nays

Barrett, Hudak, Prue.

The Chair: The motion is carried.

A recorded vote was requested for this question: Shall schedule Z.7 carry? All in favour?

Ayes

Arthurs, Lalonde, Marsales, Mitchell, Sandals.

Nays

Barrett, Hudak, Prue.

The Chair: The motion is carried.

Shall section 1 of the bill carry? Carried.

Shall section 2 of the bill carry? Carried.

Shall section 3 of the bill carry? Carried.

Shall the title of the bill carry?

Mr. Hudak: No. A recorded vote.

The Chair: A recorded vote. We'll stack that.

Shall Bill 51, as amended, carry?

Mr. Hudak: A recorded vote.

The Chair: A recorded vote. We'll stack that, then.

Shall I report the bill, as amended, to the House? Carried.

A recorded vote was requested on this question: Shall the title of the bill carry? All in favour?

Ayes

Arthurs, Lalonde, Marsales, Mitchell, Sandals.

Nays

Barrett, Hudak.

The Chair: It's carried.

A recorded vote has been requested for the following question: Shall Bill 151, as amended, carry? All in favour?

Ayes

Arthurs, Lalonde, Marsales, Mitchell, Sandals.

Nays

Barrett, Hudak, Prue.

The Chair: The motion is carried.

We are adjourned.

The committee adjourned at 1712.

CONTENTS

Thursday 23 November 2006

Subcommittee report	F-555
Mortgage Budget Measures Act, 2006 (No. 2), Bill 151, <i>Mr. Sorbara</i> / Loi de 2006 sur les mesures budgétaires (n° 2), projet de loi 151, <i>M. Sorbara</i>	F-556
City of Mississauga	F-556
Ms. Hazel McCallion	
Greater Toronto Home Builders' Association–Urban Development Institute	F-558
Mr. Neil Rodgers	
Canadian Public Accountability Board	F-560
Mr. Gordon Thiessen	
Advocates' Society	F-562
Mr. Michael Barrack	
Ontario Bar Association	F-565
Mr. James Morton	
Mr. David Sherman	
Canadian Life and Health Insurance Association	F-566
Mr. Ron Sanderson	

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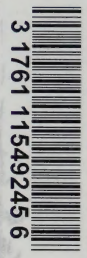
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